Annual Report 2023/24

SWS bank

a bank for you, owned by you

ACN 087 650 673
ABN 80 087 650 673

AFS & Australian Credit Licence No
240712

Registered Office
89 Boorowa Street, Young NSW 2594

Solicitors
KP Carmody & Co. Solicitors & Attorneys

Bankers
CUSCAL

Auditors
Intentus Chartered Accountants

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Chair's Report

It gives me pleasure to deliver this 2023/24 Chair's report following our 52nd year of providing the banking services and support that our members require.

It has again been another successful year of operation for SWSbank (your local customer owned bank), ending the year with 13734 members, managing an asset base now exceeding $300m, for a second year exceeded $2.5m in after tax profit and delivering sponsorship within our communities in excess of $100k. These are indeed impressive outcomes for a mutual Bank of our size and much of the credit for achieving these results must go to our staff and members for their ongoing loyalty and dedication toward the continued success of the business.

During 2022/23 your Board and Executive, (in true mutual fashion, decided to "give back" to members some of the profits via interest rate assistance during a period of rapid RBA rate rises. This was indeed welcome relief particularly for our borrowers of whom many were starting to feel the detrimental effects of the RBA rises.

> *"Your Board remains ever mindful of the value to members and their communities of a personalised face to face presence in our major centres"*

In 2023/24 your bank has again decided to “give back” by updating and improving our Branch facilities at several of our major centres. This included a branch upsize and relocation at Temora, renovations at Young and a budgeted improvement of the Cootamundra Branch facility. These improvements will assist SWSbank in delivering a modern and personalised banking experience for our members. In addition we have conducted a number of digital banking awareness seminars for members at each of our Branch localities to assist members with their online banking requirements and broadening their awareness and understanding of the impacts of scams, digital fraud and cyber-crime within our industry.

During 2023/24 we again witnessed an increasing demand for members to complete their banking using online means. In excess of 90% of SWSbank transactions are now completed online, social media has become a very effective marketing tool and online lending comprised 43% of our 2023/24 loans. Whilst acknowledging the above movement in transacting methods, your Board remains ever mindful of the value to members and their communities of a personalised face to face presence in our major centres. This strategy has continued to keep SWSbank strong over many decades of operation.

Minimising and guarding against the detrimental impacts of cyber crime remains one of the major challenges going forward for the banking industry. Change is happening so rapidly in the digital world and SWSbank is determined to be at the forefront of this movement. It seems only yesterday that “social media” and “iPhone” were the digital buzzwords of the future and now these are everyday terminology with the new futurist buzz being “AI” (artificial intelligence. “AI” has the capability of creating life like visual and voice resemblance. As such “AI” creates major concerns for the banking industry in relation to scams and cyber fraud.

The 2024 Annual General Meeting will bring to a close an era where one of our Directors has made such a positive impact. I reference the pending retirement of long term director Mr Keith Carmody from our Board. Keith has made a huge governance contribution over 36 years of directorship. Keith has both guided and led the organisation including having served 6 years as Deputy Chair followed by a further 6 years as Chair of the Board. His input on governance and legal support at Board and committee meetings will be sadly missed. On behalf of the Board, staff and members, I thank Keith for his contribution over such a long period and wish him every happiness and good health in retirement.

In closing, I thank my fellow Directors for their input and dedication to their role throughout the year. I will make particular mention of our Governance and Policy committee members who had the difficult task of implementing the necessary policy changes as required by the new APRA standards. Also and certainly not least can I thank the staff for their continued dedication to completing their respective roles within the organisation. Staff are our most important asset when it comes to business prosperity over the longer term.

I will conclude by wishing Directors, staff and members a very safe and happy XMAS and good health to all throughout 2025.

Allan Stuart BE (Hons).Dip FS.GAICD
Board Chair

CEO's Report

The past year in review:

Much has happened over the 2023/24 financial year in terms of world, Australian and local events, which all have an effect on SWSbank to a varying degree.

One of the big changes was the rebranding of our name to SWSbank. After a long history as being locally known and recognised as South West Slopes Credit Union, the decision was made to change our trading name to SWSbank. This decision was not taken lightly, but after engaging with over 300 members and 100 non-members it became clear that many people did not understand what a credit union was and stood for. This was also at a time when many credit unions where either merging or changing their names to include the word bank, meaning that the term credit union was becoming further diluted in peoples understanding. The feedback from our membership about the name change, along with the ongoing refresh of our branches has been very positive.

In looking at the results for 2023/24 there are a number of highlights to mention. One of the best I feel, is how we have supported our home loan borrowers through a potentially stressful period of elevated interest rates. SWSbank, I am proud to say, have consistently demonstrated a strong commitment of being able to provide help to members who seek hardship support during difficult times.

> *"SWSbank returned over $100,000 through local sponsorship and community support initiatives to our local communities and sporting groups as part of our member social dividend."*

Another highlight we are very proud of is the opening of a rebranded bigger branch in Temora. Temora has become the blueprint of the quality of branch SWSbank is looking to upgrade all of its branches to, with Cootamundra currently going through a planning phase before a full upgrade. The benefits to our membership are many, as the new design is based around new member help and education areas, in addition to an updated traditional over the counter experience. The residents of Temora continue to provide positive feedback on the new branch, and this is reflected in the significant uplift in new members that are recorded each month. In total, SWSbank has registered a record 1,000 plus new members over the past 12 months.

SWSbank has also prioritised its depositors over the past year by introducing a series of specials at very attractive rates when possible. This has ensured that all members had the opportunity in benefiting from the very strong financial position of SWSbank.

All of these actions, coupled with the outstanding service that we are known for, saw SWSbank's loan book increase by circa 25%, its deposit book increase by 10.5% and overall profitability before tax increase by 10% compared to the previous year's results.

While the financial numbers are extremely positive, it is the opportunity that they provide to give back to the members while maintaining financial integrity that is most pleasing. For example, SWSbank returned over $100,000 through local sponsorship and community support initiatives to our local communities and sporting groups as part of our member social dividend.

Looking Forward

Over the next 12 months SWSbank is aiming to have upgraded all of its branches to its new modern and member friendly look.

As part of the branch upgrade program, we are considering the possibility of opening new branches in areas that are losing their banking services as the big banks continue to leave regional Australia. SWSbank has been contacted by several community groups asking if it is possible for SWSbank to open a branch in their town. This is something that will be considered on a case-by-case basis, depending on the commitment from each of the communities to support a SWSbank branch and the identification of a sound business model.

Moving forward, we continue to evaluate new technology around fraud and cyber security and aim to implement this technology once it has proven to be of benefit to our members.

Other technologies will be implemented this year around shortening the loan approval process for personal loans, once again delivering a better member experience. Other areas being constantly looked at include a better mobile app and webpage experience.

We have recently engaged with local community groups to present on topics such as 'Cyber security on a personal level', 'Internet Banking tutorial' and 'Identifying Banking Fraud.' These sessions have been well received and are a community education program that are open to everybody, not just SWSbank members.

As I look ahead, I am very proud of the strong position SWSbank is in, as we look to continue to grow our membership, services and continue to deliver an excellent local alternative to the big banks.

I would like to thank all of the people that work so hard at SWSbank to deliver a great member experience, and the Board that provide the support and guidance to allow us all to aim high and achieve the results that we are currently experiencing.

Andrew Jones
CEO

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Financials

Director’s Report

The directors present their report together with the financial report of South West Slopes Credit Union Ltd (SWSbank) for the financial year ended 30 June 2024 and the auditor’s report thereon.

Information on Directors

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

	Name	Experience, responsibilities and other directorships
	**Allan Stuart** ▪ Chair of the Board from Nov 2022. ▪ Independent Non-Executive Director. ▪ Member of the Audit Committee. ▪ Member of the Risk Committee.	▪ Appointed as Director of SWSCU from 30 May 2018. Previously served as SWSCU Director 1999 -2012 - 19 years. Chair of the Board for 3 years.' ▪ Bachelor of Engineering/Electrical. ▪ Engineering and Management Consultant. ▪ Diploma of Financial Services. ▪ Graduate of Australian Institute of Company Directors (GAICD) 2010. ▪ No other directorships within the last three years.
	**Dr Thomas Douch** ▪ Elected as Director in Nov 2020. ▪ Deputy Chair from Nov 2022. ▪ Independent Non-Executive Director. ▪ Member of the Audit Committee. ▪ Chair of the Governance & Policy Review Committee. ▪ Member of the Risk Committee.	▪ Elected as Director of SWSCU from Nov 2020 -four years. ▪ Doctor of Medicine. ▪ Medical Board of Australia registration. ▪ Graduate of Australian Institute of Company Directors (GAICD). ▪ Ministerial Appointee - Professional Services Review.
	**Keith Carmody LLB** ▪ Independent Non-Executive Director. ▪ Member of the Risk Committee. ▪ Member of the Governance & Policy Review Committee.	▪ Director of SWSCU from 1988 until current - 36 years. ▪ Chair of the Board for 6 years (2014-2020). ▪ Principal of K.P Carmody Solicitors, Young NSW. ▪ No other directorships within the last three years.

	Name	Experience, responsibilities and other directorships
	**Elke Cleverdon FCPA** ▪ Independent Non-Executive Director ▪ Chair of the Audit Committee. ▪ Member of the Risk Committee.	▪ Director of SWSCU from November 2019. Previously served as SWSCU Director from 1997 -1999. Seven years in total. ▪ Eight years as a rural financial coach and independent financial consultant. ▪ Formally Assistant General Manager of SWSCU from 2000 to 2016. Accountant at SWSCU from 1992-1996. ▪ Fellow of CPA Australia. ▪ Graduate of Australian Institute of Company Directors (GAICD). ▪ Master of Business Administration (MBA). ▪ Director of Murrumbidgee Local Health District (NSW Health). ▪ Director Horticulture Innovation Australia National Research and Development. ▪ Director Cattle Australia (National Peak Industry Body).
	**Kevin Cloake** ▪ Independent Non-Executive Director. ▪ Member of the Governance & Policy Review Committee. ▪ Chair of the Risk Committee.	▪ Director of SWSCU from November 2022. Previously served as SWSCU Director from 2010 -2020. 12 years in total. ▪ Employed within the Finance division of Hilltops Council (formerly Harden Shire Council) since 2003. 21 years of banking experience with Commonwealth Bank (1976-1997) ▪ No other directorships within the last three years.
	**Lauren Peak** ▪ Independent Non-Executive Director. ▪ Member of the Audit Committee. ▪ Member of the Risk Committee.	▪ Director of SWSCU from 1992-until current; 32 years ▪ Proprietor of 'Framaglass'; a glass sales and glaziers business in Young NSW. ▪ No other directorships within the last three years.

Unless indicated otherwise, all directors held their position as a director throughout the entire financial period and up until the end of this report.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION

a. Reporting entity

South West Slopes Credit Union Limited trading as (SWSbank) is a company limited by shares domiciled in Australia. The address of the registered office is 89 Boorowa Street, Young NSW 2594. SWSbank is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, deposits and insurance products.

b. Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of SWSbank complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB). The report was authorised for issue on 26h September 2024 in accordance with a resolution of the board of directors.

c. Basis of measurement

The financial report has been prepared on an accruals basis, and is based on historical costs, which do not take into account changing money values or current values of non-current assets, except for shares in an unlisted company which are measured at fair value.

d. Functional and presentation currency

The financial report is presented in Australian dollars, which is SWSbank's functional currency. SWSbank is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191 and in accordance with that instrument, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

e. Accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- Note 1(l) –Impairment

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

f. Measurement of fair values

A number of SWSbank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, SWSbank uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not observable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. SWSbank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

g. Changes in accounting policy

SWSbank has consistently applied the following accounting policies to all periods presented in these financial statements unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

h. Financial instruments

Classification and measurement

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL (Fair Value through Profit and Loss).

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

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost include cash and cash equivalents, loans and advances to ADIs, loans and advances to members and other assets.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at FVOCI include equity investments.

In addition, on initial recognition the SWSbank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent to initial recognition the following measurement principles and recognition of gains and losses are applied as follows:

- financial assets at amortised cost are measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss; and
- other financial assets at FVOCI - equity are measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Business Model Assessment

SWSbank makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice, including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how the performance of the portfolio is evaluated and reported to SWSbank's management;
- the risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the SWSbank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Derecognition of financial assets

SWSbank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the SWSbank is recognised as a separate asset or liability.

i. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash balances in SWSbank's bank accounts and at call deposits with original maturities of three months or less that are subject to an insignificant risk of changes of their fair value, and are used by SWSbank in the management of its short term commitments. Cash and cash equivalents are measured at amortised cost using the effective interest method.

j. Loans and advances to members

(i) Basis of recognition

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to SWSbank at reporting date, less any allowance for expected credit losses (ECL). A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

k. Revenue and expense recognition

(i) Net interest income

Interest income and expense is recognised using the effective interest rate (EIR) method for financial assets and financial liabilities carried at amortised cost or investment debt securities classified as at FVOCI. The EIR method calculates the amortised cost of a financial instrument at a rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. Fees and transaction costs that are integral to the lending arrangement are recognised in the income statement over the expected life of the instrument in accordance with the EIR method.

When the estimates of payments or receipts of a financial instrument are subsequently revised, the carrying amount is adjusted to reflect the actual or revised cash flows with the re-measurement recognised as part of interest income (financial assets) or interest expense (financial liabilities).

The calculation of EIR does not include ECL. Interest income that is classified as credit impaired is recognised by applying the EIR to the amortised cost carrying value (being the gross carrying amount after deducting the impairment loss).

(ii) Fees and commission income

Fees and commission income include fees other than those that are an integral part of EIR.

Fee income relating to deposit or loan accounts is either:

- transaction based and therefore recognised when the performance obligation related to the transaction is fulfilled, or
- related to performance obligations carried out over a period of time therefore recognised on a systematic basis over the life of the agreement as the services are provided.

Transaction fees and provision of services are defined within product terms and conditions. Commission income which includes insurance, protection products and financial planning advice is recognised when the performance obligation is satisfied.

(iii) Dividend income

Dividends are brought to account in profit or loss when the right to receive income is established.

(iv) Expenses

Expenses are recognised in the income statement as and when the provision of goods or services is received.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

l. Impairment

(i) Financial assets

Financial assets within the scope of AASB 9 expected credit loss (ECL) requirements comprise all financial instruments measured at either amortised cost or FVOCI. These include cash, loans and advances to ADIs and loans and advances to members.

Financial assets are divided into homogeneous portfolios based on shared risk characteristics. These include mortgage loans, commercial loans, personal loans and revolving credit.

For loans and advances to ADIs, SWSbank has applied the AASB 9 'low credit risk' exemption given their credit risk rating is equivalent to the globally understood definition of 'investment grade.'

The ECL represents the present value of expected cash shortfalls following the default of a financial instrument. A cash shortfall is the difference between the cash flows that are due in accordance with the contractual terms of the instrument and the cash flows that SWSbank expects to receive.

The allowance for ECLs is based on an assessment of the probability of default, exposure at default and loss given default, discounted at the effective interest rate to give a net present value. The estimation of ECLs is unbiased and probability weighted, taking into account all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes. ECLs are calculated from initial recognition of the financial asset for the behavioural life of the loan.

For financial assets recognised in the balance sheet at amortised cost, the allowance for ECLs is offset against the gross carrying value so that the amount presented in the statement of financial position is net of impairment provisions. For financial assets classified as FVOCI, any credit losses are recognised in the fair value reserve.

Forward looking approach

The approach to determining the ECL includes forward-looking information. SWSbank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses (ECL) for each portfolio segment. Given the lack of loss experience by SWSbank 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.

SWSbank has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors, which are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. SWSbank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by SWSbank for other purposes such as strategic planning and budgeting. Periodically SWSbank carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Credit risk categorisation

For the purpose of calculating ECLs, assets are categorised into three 'stages' as follows:

Stage 1: no significant increase in credit risk since initial recognition

On initial recognition, and for financial assets where there has not been a significant increase in credit risk since the date of advance, provision is made for losses from credit default events expected to occur within the next 12 months. Expected credit losses (ECL) for these stage 1 assets continue to be recognised on this basis unless there is a significant increase in the credit risk of the asset.

Stage 2: significant increase in credit risk

Financial assets are categorised as being within stage 2 where an instrument has experienced a significant increase in credit risk since initial recognition. For these assets, provision is made for losses from credit default events expected to occur over the lifetime of the instrument.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, SWSbank uses the criteria of 30 days past due or loans under credit watch as the criteria to identify whether there has been a significant increase in credit risk.

Stage 3: credit impaired (or defaulted) loans

Financial assets are transferred into stage 3 when there is objective evidence that an instrument is credit impaired. Provisions for stage 3 assets are made on the basis of credit default events expected to occur over the lifetime of the instrument. Assets are considered credit impaired when:

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

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

Interest income on stage 3 credit impaired loans is recognised in the income statement on the loan balance net of the ECL provision. The balance sheet value of stage 3 loans reflects the contractual terms of the assets, and continues to increase over time with the contractually accrued interest.

Transfers between stages

Transfers from stage 1 to 2 occur when there has been a significant increase in credit risk and from stage 2 to 3 when credit impairment is indicated as described above. For assets in stage 2 or 3, loans can transfer back to stage 1 or 2 once the criteria for a significant increase in credit risk or impairment are no longer met.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Restructured loans

If the terms of a financial asset 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 derecognised and ECL is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in the 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 effective interest rate method of the existing financial asset.

Write-off
Loans remain on the statement of financial position, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment losses recorded in the income statement.

(ii) Non-financial assets
The carrying amounts of SWSbank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of other non-financial assets is the greater of their fair value less costs to sell and value in use.

In 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

m. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised within profit or loss.

(ii) Subsequent expenditure

SWSbank recognises in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to SWSbank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of PPE are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of PPE. Land is not depreciated.

The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives for the current and comparative periods are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

n. Intangibles

(i) Recognition and measurement

Where computer software costs are not integrally related to associated hardware, SWSbank recognises them as an intangible asset where they are clearly identifiable, can be reliably measured and it is probable they will lead to future economic benefits that SWSbank controls. The capitalised costs of computer software include all costs directly attributable to developing the software. This incorporates the direct cost of acquiring the computer software payable to the third party supplier.

SWSbank carries capitalised computer software assets at capitalised cost less amortisation and any accumulated impairment losses.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intangible asset to which is relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset less its residual value.

o. Other assets

Other assets include interest receivable, prepayments and other receivables. Such assets are stated at their amortised cost.

p. Member Deposits

(i) Basis for measurement

Member savings and term investments are recognised on the date at which they originated and are measured initially at fair value plus incremental direct transaction costs. Member deposits are stated at the aggregate amount of monies payable to depositors as at the reporting date.

(ii) Interest payable

Interest on member savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of creditor accruals and settlement accounts.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

q. Payables

Payables include trade and other payables. Such liabilities are stated at their amortised cost and are recognised in relation to goods and services received by SWSbank.

Trade Payables are non-interest bearing and are normally settled on 30-day terms.

r. Employee Benefits

(i) Superannuation

Contributions made by SWSbank to an employee's superannuation fund are recognised in the profit or loss as the related service is provided.

(ii) Long-term employee benefits

SWSbank's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if SWSbank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

s. Goods and Services Tax

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

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

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

t. Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at 30 June 2024 temporary differences were assessed at 25% (2023: 25%). SWSbank meets the requirements of a Base Rate Entity, therefore the lower rate of 25% has been applied when assessing temporary differences as this will be the tax rate that applies when the differences reverse.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

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

u. Member shares

SWSbank issues callable preference shares to each Member upon joining in accordance with the constitution. Members do not pay upfront for a member share in SWSbank. Cash is only callable as and when it might be required by the Australian Corporations Act.

v. Leases

At inception of a contract, the SWSbank assesses whether a 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.

(i) As a lessee

SWSbank 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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. 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 the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and SWSbank's incremental borrowing rate.

SWSbank determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date; and
- lease payments in an optional renewal period if SWSbank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless SWSbank is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if SWSbank changes its 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 remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

SWSbank presents right-of-use assets in 'property, plant and equipment' in the statement of financial position.

(ii) Short-term leases and leases of low-value assets

The SWSbank has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The SWSbank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

w. New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and earlier application is permitted. SWSbank has not early adopted any of these new or amended standards and has assessed that they are not expected to have a significant impact on the SWSbank's financial statements in future years.

x. Change in classification

Note 5 to the financial statements details SWSbank's investments in a range of debt and deposit instruments. In previous years the disclosure in note 5 was based on the counterparty to the instrument. In the current year the disclosure has been based on the type of debt or deposit instrument that the SWSbank has invested in. The comparative information has been updated to reflect this revised disclosure.

This change in disclosure has not had any impact on the measurement of these assets and has been made to provide more relevant information on the type of investment held.
Details of the counterparties that the SWSbank has invested in can be found in Note 19.

2. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	2024	2034
	$,000	$,000
Interest income calculated using the effective interest rate method		
Financial assets measured at amortised cost:		
Cash and deposits at call	82	245
Loans and advances to ADIs	5,324	3,464
Loans and advances to members	9,788	7,604
TOTAL INTEREST INCOME	**15,194**	**11,313**
Fee, commission and other income		
Fee income	515	468
Insurance commissions	13	11
Other commissions	36	36
Dividends received	28	24
Bad debts recovered	15	4
Gain on sale of assets	-	30
Other income	47	32
TOTAL FEE, COMMISSION AND OTHER INCOME	654	605
Interest expense		
Deposits from members	4,340	1,264
Borrowing expenses	(5)	2
Lease interest expenses	2	1
TOTAL INTEREST EXPENSE	4,337	1,264
Impairment (reversals)/losses on member loans		
Loans and advances		
Bad debts written off directly	16	54
Provisions (reversed)/made during the year	109	137
TOTAL IMPAIRMENT (REVERSALS)/LOSSES ON MEMBER LOANS	125	137
Other prescribed disclosures		
Employees compensation and benefit include:		
- Superannuation contributions to defined contribution plans	313	257

3. INCOME TAX EXPENSE

	2024 $,000	2023 $,000
The income tax expense composes amounts set aside as:-		
Current year tax expense	884	840
Deferred (tax expense)/income	(30)	(57)
Income tax expense attributable to operating profit	854	783
Deferred tax expense recognised through FVOCI	5	-
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit before income tax:	3,445	3,159
The prima facie tax payable on profit before income tax at 25.0% (2023: 25.0%)	861	790
Add tax effect of expenses not deductable		
- Other non-deductable expenses	2	-
- Gross up dividends	3	3
Less		
- Non-assessable income		
- Franking rebate	(12)	(10)
- Prior period adjustment		
Income tax expense attributable to current year profit	854	783

4. CASH AND CASH EQUIVALENTS

	2024 $,000	2023 $,000
Cash on hand	764	741
Cash at bank	5,384	10,021
Deposits at call	14,950	9,441
	21,098	20,203

5. INVESTMENTS

	2024 $,000	2023 $,000
Floating rate notes	61,719	59,506
Term deposits	15,651	20,181
Negotiable certificates of deposit	5,654	-
Other debt securities	7,400	18,014
	90,424	97,701

6. OTHER RECEIVABLES

	2024 $,000	2023 $,000
Accrued interest receivable	795	702
GST receivable	31	22
	826	724

7. LOANS AND ADVANCES TO MEMBERS

	2024	2023
	$,000	$,000
Amount due comprises:		
Overdrafts and revolving credit	1,042	982
Term loans	186,755	149,125
	187,797	150,107
Allowance for expected credit losses (Note 8)	(325)	(216)
	187,472	149,891
Credit quality		
Secured by mortgage over real estate	163,330	131,930
Partly secured by mortgage over real estate	20,083	14,192
Wholly unsecured	4,384	3,985
	187,797	150,107

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

Credit quality profile of loans wholly secured by mortgage against real estate	2024	2023
	$'000	$'000
- loan to valuation ratio of less than 80%	139,658	114,931
- loan to caluation ratio of more than 80% but mortgage insured	9,714	5,283
- loan to valuation ratio of more than 80% and not mortgage insured	8,332	11,716
Total	157,704	131,930

Where the loan value to valuation ratio is less than 80%, there is at least a 20% margin to cover the costs of any sale, or potential value reduction.

Concentration of loans

There are no loans to individual or related groups of members which exceed 10% of the SWSbank's regulatory capital. The SWSbank's loans, and where applicable, the related collateral held against such loans, are predominantly concentrated in the South West Slopes region of New South Wales.

	2024	2023
	$'000	$'000
Concentration of loans by purpose		
Loans to natural persons		
- Residential loans and facilities	157,704	126,922
- Personal loans and facilities	24,184	18,523
- Business loans and facilities	5,909	4,662
	187,797	150.107

8. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The table below represents the reconciliation of opening balance to closing balance of ECL allowances:

	2024 $'000	2023 $'000
Balance as at 1 July	**216**	**134**
Impairment charge/(reversal)	125	137
Amounts written off that were previously provided for	(16)	(55)
Balance as at 30 June	**325**	**216**

The tables below represents the reconciliation from the opening balance to the closing balance of the ECL allowance for loan and advances to customers to which impairment requirements under AASB 9 apply, for the present (2023-2024) and previous (2022-2023) financial years:

2023-2024 Financial Year

ECL on loans and advances to members	Stage 1 12 month ECL $'000s	Stage 2 Not credit impaired $'000s	Stage 3 Credit impaired $'000s	Total $'000s
Balance at 1 July 2023	**142**	**-**	**74**	**216**
Transfers during the period to				
12 month ECL	**-**	**-**	**-**	**-**
lifetime ECL not credit impaired				
lifetime ECL credit impaired				
Net re-measurement of loss allowance				
New financial assets originated	**97**	**-**	**23**	**120**
Changes in modelling assumptions	**5**			**5**
Financial assets derecognised	**-**	**-**	**-**	**-**
Write offs	**(16)**	**-**	**-**	**(16)**
Carrying amount	**228**	**-**	**97**	**325**

2022-2023 Financial Year

ECL on loans and advances to members	Stage 1 12 month ECL $'000s	Stage 2 Not credit impaired $'000s	Stage 3 Credit impaired $'000s	Total $'000s
Balance as at 1 July 2022	60	-	74	134
Transfers during period to:				
12 month ECL				
lifetime ECL not credit impaired				
lifetime ECL credit impaired				
Net re-measurement of loss allowance	-	-	-	-
New financial assets originated	87	-	-	87
Changes in modelling assumptions	50	-	-	50
Financial assets derecognised	-	-	-	-
Write offs	(55)	-	-	(55)
Carrying amount	142	-	74	216

9. OTHER FINANCIAL ASSETS

	2024 $'000	2023 $'000
Shares in unlisted companies		
Equity investments - at FVOCI	500	482
Total value of other financial assets	500	482

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Right-Of-Use-Assets (ROUA) $'000	Total $'000
Cost or deemed cost				
Balance at 30 June 2022	843	1,752	194	2,789
Additions	-	365	-	365
Disposals	-	(482)	-	(482)
Balance at 30 June 2023	843	1,635	194	2,672
Additions	-	497	214	711
Disposals	-	(49)	(55)	(104)
Balance at 30 June 2024	843	2,083	353	3,279
Accumulated depreciation and impairment losses				
Balance at 30 June 2022	(364)	(1,475)	(119)	(1,958)
Depreciation for the year	(18)	(514)	(39)	(571)
Disposals	-	482	-	482
Balance at 30 June 2023	(382)	(1,507)	(158)	(2,047)
Depreciation for the year	(18)	(123)	(49)	(190)
Disposals	-	49	55	104
Balance at 30 June 2024	(400)	(1,581)	(152)	(2,133)

	2024 $'000	2023 $'000
Total Property, Plant and Equipment - at cost	3,279	2,672
Total Accumulated Depreciation	(2,133)	(2,047)
Total Property, Plant and Equipment - carrying amount	1,146	625

11. INTANGIBLE ASSETS

	2024 $'000	2023 $'000
Cost		
Balance at 1 July	2,408	2,081
Additions	301	359
Disposals	-	(126)
Work in Progress (WIP)	52	94
Balance at 30 June	2,761	2,408
Accumulated Amortization		
Balance at 1 July	(1,963)	(1,720)
Amortization for the year	(253)	(243)
Balance at 30 June	(2,216)	(1,963)
Total Intangibile Assets	545	445

12. DEFERRED TAX

	2024 $'000	2023 $'000
Deferred tax assets comprise:		
Accrued expenses	13	16
Provision on impaired loans	81	58
Provision for employee benefits	180	152
Lease liability	(13)	1
Intangibiles	22	27
	283	254
Deferred tax liabilities		
Equity investments	70	65
Depreciation on fixed assets	-	-
	70	65
Net deferred tax assets	213	189

CURRENT TAX RECEIVABLE

The SWSbank's current tax receivable of $44,226 (2023: $225,320 payable) represents the amount of income tax payable by the SWSbank in the current and receivable from the Australian Taxation Office in prior year periods.

13. DEPOSITS FROM MEMBERS

	2024 $'000	2023 $'000
Member deposits		
- at call	140,819	160,038
- term	128,476	160,038
Member withdrawable shares	116	119
	269,411	239,800

Concentration of Member Deposits / Geographic Concentration

There are no significant individual member deposits which in aggregate represent more than 10% of the total liabilities. The SWSbank's member deposits are predominantly concentrated in the South West Slopes region of New South Wales.

14. CREDITORS, ACCRUALS AND SETTLEMENT ACCOUNTS

	2024 $'000	2023 $'000
Creditors and accruals	313	288
Interest payable on deposits	1,820	595
Sundry creditors/Settlements	1,181	229
Total Sundry creditors/Settlements	3,314	1,112

15. LEASE LIABILITIES

	2024 $'000	2023 $'000
Lease Liabilities	194	41
Total Lease Liabilities	194	41

For a maturity analysis of lease liabilities refer to Note 21.

16. BORROWINGS

	2024 $'000	2023 $'000
Reserve Bank Term Facility Funding (RBA TFF)	-	2,441
Balance at the end of the year	-	2,441

In April 2020 as part of the RBA's monetary policy response to the COVID-19 pandemic, a Term Funding Facility (TFF) was made available to ADIs under which the SWSbank qualified for a $3.8 million facility. SWSbank drew this amount down on 29 Sep 2020 but repaid it on 24 March 2021.

In September 2020, the RBA announced the provision of a new Supplementary Allowance, under which SWSbank qualified for a further $2.5 million. The TFF is a three-year facility where tranches drawn pre-November 2020 have a fixed interest rate of 0.25% per annum, and tranches drawn from November 2020 have a fixed rate of 0.10% per annum. SWSbank drew this on 28 May 2021. At the reporting date, floating-rate notes issued by UBS AG were pledged as security for the TFF with a face value of $2.7 million (2023: unchanged $2.7 million).

Information regarding the interest and maturity profile of the facility is set out in Note 21. During the current and prior years, there have been no defaults or breaches on the facility or any of its conditions. SWSbank repaid the $2.441 million tranch a week before its due date of 28 May 2024.

17. PROVISIONS

	2024 $'000	2023 $'000
Current		
Annual Leave	277	260
Long Service Leave	444	270
Provisions for Taxation (PAYG Only)	53	57
Total Current	774	691

18. FAIR VALUE RESERVE

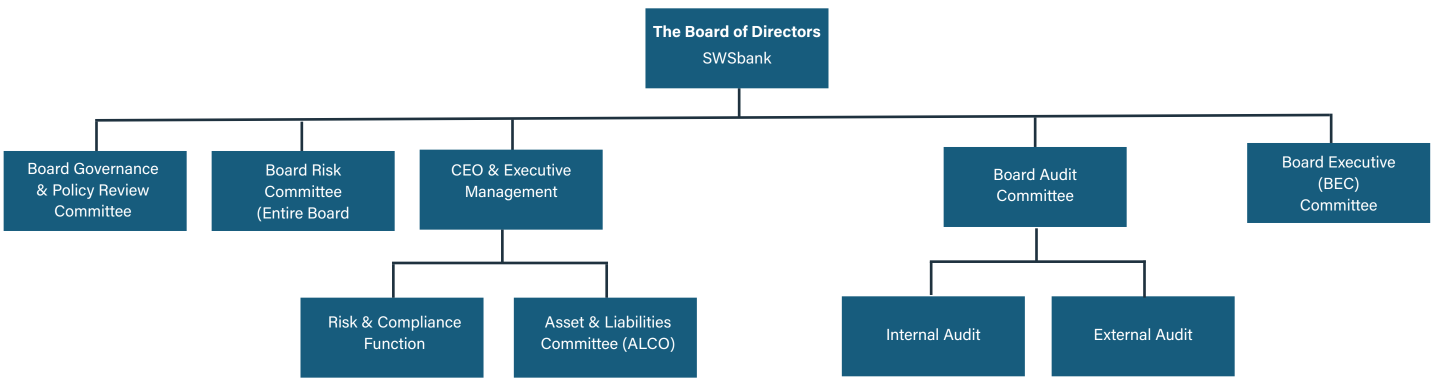
	2024 $'000	2023 $'000
FVOCI reserve - Shares		
Balance at the beginning of the year	188	188
Add: Increase on revaluation of investment	19	-
Less: Deferred tax thereon	(5)	-
Balance at the end of year	202	188

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board has endorsed compliance and risk management policies to suit the risk profile of SWSbank. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, procedures and services offered. SWSbank, through its training and management standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and objectives.

SWSbank's risk management focuses on the major areas of market risk, liquidity risk, credit risk and operational risk. Authority flows from the Board of Directors to the Risk Committee who are integral to the management of risk. The following diagram gives an overview of the structure in place in 2024.

The diagram shows the risk management structure. The main elements of risk governance are as follows:



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

The Board is the key body in the control of risk. The Board reviews risks and the controls that are used to mitigate them. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Board through monthly review of risks, key risk indicators as well as an annual full review of all risks.

Risk controls are reviewed in an ongoing manner however formally at least annually to confirm whether risks are within the parameters endorsed by the Board. The Board seeks to ensure that the significant risks and controls are assessed cognisant with the endorsed internal audit plan.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Audit Committee:

The Audit Committee has a documented charter, approved by the Board. The Committee advises on the establishment and maintenance of a framework of internal control.

The objectives of the Audit Committee are to assist the Board in the discharge of its duties by:

- Overseeing the financial reporting process;
- Providing an independent conduit for communication between the Board, senior management, internal auditors and external auditors;
- Overseeing compliance with SWSbank's internal and external audit requirements;
- Overseeing the annual review and testing of the Business Continuity Plan;
- Undertaking steps to satisfy themselves that the auditor is independent of SWSbank, it's Board, management and staff, and that there is no conflict of interest arising that may compromise, or be seen to compromise the independence of the auditor or the integrity of any audit outcomes. The Committee will obtain a declaration from the auditor attesting that the auditor is independent, both in appearance and in fact, has no conflict of interest, and that there is nothing to the auditor's knowledge that could compromise impartiality.

Asset Liability Committee (ALCO) - Credit Risk

This committee of senior management meets monthly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the board. The ALCO also determines the credit risk of loans in the banking book, ensures allowances for expected credit losses is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The ALCO Committee has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are noted by the board. All exposures are checked monthly against approved limits, independently, and are reported to the ALCO Committee.

All loans are managed weekly through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or over limit facilities over 14 days have collective allowance of expected credit losses (ECL) charged against them. Other ECL are taken up on accounts considered doubtful and the status of these loans is reported to the Board monthly and the Audit Committee quarterly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific ECL are necessary and adequate. A dedicated credit control officer, who reports to the ALCO, implements the SWSbank's credit risk policy.

Asset and Liability Committee (ALCO) - Market Risk:

This committee meets monthly, or as required, 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 market risk policy. The monthly scrutiny of market risk reports is intended to prevent any exposure breaches prior to reporting any breaches to the full Board.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Chief Risk Officer:

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

Risk Committee:

This committee meets monthly prior to the full Board meeting. The objectives of the Risk Committee are to assist the Board in full and proper discharge of its risk management duties under Prudential Standard CPS 510 Governance, CPS 220 Risk Management and SWSbank's Risk Management Framework. This includes (but may not necessarily be limited to) the following:

(a) Advising the Board on the overall current and future risk appetite and risk management strategy;
(b) Establishing an institution-wide view of the current and future risk position relative to risk appetite and capital strength;
(c) Oversight of senior management's implementation of the risk management strategy;
(d) Constructive challenge of senior management's proposals and decisions on all aspects of risk management arising from the institution's activities;

SWSbank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about SWSbanks' exposure to each of the above risks, SWSbank's objectives, policies and processes for measuring and managing risk, and SWSbank's management of capital.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Market Risk

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

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

Management is responsible for the development of detailed risk management policies which are submitted to the Board for review and approval, and for the day-to-day review of their implementation. In addition the ALCO, being a management committee, meets monthly or as required to review and implement day-to-day market risk strategies.

Interest Rate Risk

SWSbank is exposed to interest rate risk in its book due to mismatches between the repricing dates of assets and liabilities.

Member loans

SWSbank is exposed to some interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. SWSbank commenced offering Fixed Rate Loans during the 2020 financial year. However, SWSbank has a set limit on its Fixed portfolio. As at the end of 30 June 2024 only 24% of its loan portfolio book was fixed. With the bulk of its Loans Portfolio in variable rate loans, SWSbank uses member deposits as a natural hedge, and does not have significant interest rate risk as at 30 June 2024 arising from member loans per Value at Risk (VaR) analysis in Note 19.

The interest rate risk on the banking book is measured formally and externally every 6 months. Monthly reports on interest rate margin are reviewed and reported to the ALCO and the Board.

Fixed rate financial instruments

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

The level of mismatch on the banking book is set out in Note 21. The table set out at Note 21 displays the period that each interest rate sensitive asset and liability will reprice as at the reporting date. This risk is not considered significant enough to warrant the use of derivatives to mitigate this risk.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a. Market Risk (continued)

Method of managing risk

SWSbank manages its interest rate risk by the use of value at risk models (VaR). The detail and assumptions used are set out below.

Value at Risk (VaR)

SWSbank's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. VaR is a technique which estimates the potential losses that could occur as a result of the risk positions taken by SWSbank and movements in market rates over a specified time period to a given level of confidence.

VaR, as set out in the table below, has been calculated using historical simulations, taking into account movements in market rates, a 99.5 per cent confidence level and a holding period of 10 days.

This function is outsourced to Laminar Capital who prepare a detailed risk exposure summary every six months.

VaR on the non-trading book	2024	2023
Value at Risk/10 day value at risk	$249,631	$200,958
Percentage of regulatory capital	0.87%	0.77%

Given the SWSbank's profile of assets and liabilities at 30 June 2024, and therefore its book sensitivity as at that date, for each 1% parallel upward shift in the yield curve the SWSbank can expect a decrease in profit of $446,465 (2023 increase of $456,654). The SWSbank is therefore presently negatively exposed to rising interest rates.

As book sensitivity is a measure only to a definite point in time the abovementioned expected loss does not reflect the position of SWSbank subsequent to balance date. In addition, although VaR provides a useful tool for measuring and monitoring market risk, the assumptions on which the model are based give rise to some limitations, including the following:

- A 10 day holding period assumes that it is possible to dispose of financial instruments within that period. This is considered a realistic assumption in almost all cases but may not be the case in situations where there is severe market illiquidity;
- A 99 per cent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is 1% probability that losses will exceed VaR;
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those on an exceptional nature; and
- VaR is dependent on the SWSbank's position of assets and liabilities and the volatility of market prices. The VaR of an unchanged book position will rise if market volatility increases and vice versa.

SWSbank is therefore confident within a 99 per cent confidence level that, given the risks as at 30 June 2024, it will not incur a one day loss on its non-trading book of more than the amount calculated above, based on the 2024 VaR model used.

Although the use of VaR models calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

SWSbank's exposure to banking book interest rate risk is not expected to change materially in the next year so existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

b. Liquidity Risk

Liquidity risk is the risk that SWSbank 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 SWSbank maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

SWSbank 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.

SWSbank has a longstanding arrangement with the industry liquidity support body, SWSbank Financial Support Services (CUFSS), which can access industry funds to provide support to the SWSbank should this be necessary at short notice.

SWSbank 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. SWSbank policy is to apply 1.5% 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 available borrowing facilities.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 19.

The ratio of high-quality liquid funds over the past year is set out below:

APRA minimum 9%	**2024**	**2023**
Total liquidity as at 30 June	38.95%	44.62%
MLH liquidity as at 30 June	32.91%	34.73%
Average MLH liquidity for the year	32.20%	34.44%
Average total liquidity for the year	39.96%	42.24%
Lowest MLH for the year	27.76%	31.98%

c. Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to SWSbank which may result in financial losses. Credit risk arises principally from SWSbank's loan book and investment assets. The carrying amount of SWSbank's financial assets represents the maximum credit exposure.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

c. Credit Risk (continued)

(i) CREDIT RISK – LOANS

The SWSbank's maximum exposure to credit risk arising from loans to members at the reporting date is as follows:

	2024 $'000	2023 $'000
Loans and advances to members		
Mortgage (Home or Investment loans)	157,704	126,922
Personal	23,142	17,541
Credit Card	713	666
Overdrafts	329	316
Commercial	5,909	4,662
Total loans	187,797	150,107
Allowance for expected credit losses	(325)	(216)
	187,472	149,891

All loans and facilities are within Australia.

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

SWSbank 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;
- 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 SWSbank that requires interest and a portion of the principle 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 a 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.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Credit Risk (continued)

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 profit or loss. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

(i) CREDIT RISK – LOANS

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

Allowance for expected credit losses are maintained at a level that management deems sufficient to absorb expected losses in the SWSbank's loan portfolio from homogenous portfolios of assets and individually identified loans.

An allowance for expected credit losses (ECL) is established on all past due loans after a specified period of repayment default where it is probable that some of the principal will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in counterparty risk, specific delinquency events or a decline in the value of security.

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.

Reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

Collateral securing loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the SWSbank is exposed to risks in the reduction of the Loan to Value (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.

The board policy is to maintain the majority of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7 describes the nature and extent of the security held against the loans held as at the balance date.

Repossessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in Possession and therefore the SWSbank does not usually hold any real estate or other assets acquired through the enforcement of security. During the year the SWSbank did not take possession of any real estate assets (2023: nil).

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

c. Credit Risk (continued)

(i) CREDIT RISK – LOANS (CONTINUED)

Concentration risk – individuals

Concentration risk is a measurement of the SWSbank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the SWSbank's regulatory capital (10 per cent) a large exposure is considered to exist. No additional capital is required to be held against these but 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 SWSbank holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base.
The SWSbank's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of no more than 80 per cent and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry

There is no concentration of credit risk with respect to loans and receivables as the SWSbank has a large number of customers dispersed in different areas of employment.

(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 SWSbank incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the SWSbank.
There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. 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 capital can be invested with any one financial institution at a time, and 50% with the major banks.

External Credit Assessment for Institution Investments

The SWSbank accesses ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA's prudential guidance note AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit rating are as follows:

Investments with	2024 Carrying value $'000	2023 Carrying value $'000
Cuscal	23,464	22,148
Rated AA- and above	34,454	43,443
Rated below AA-	47,340	41,118
Unrated	5,500	10,500
Total	**110,758**	**117,209**

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d. Capital Management

Minimum 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)
- Operational risk.

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

Capital resources

The SWSbank regulatory capital is analysed in two tiers:

- Tier 1 capital consisting of: Common Equity Tier 1 capital – which includes retained earnings; regulatory adjustments to Common Equity Tier 1 capital; Additional Tier 1 capital; and other Additional Tier 1 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes transitional subordinated liabilities, collective impairment allowances and other Tier 2 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Capital in the SWSbank is made up as follows:

	2024	**2023**
Investments with	**$'000**	**$'000**
Tier 1		
Retained earnings	28,511	25,900
Less prescribed deductions	(1,055)	(927)
Common Equity Tier 1 capital	27,456	24,973
Tier 2		
Resrve for credit losses	-	-
Less prescribed deductions	-	-
Net tier 2 capital	-	-
	-	-
Total Regulatory Capital	27,456	24,973
Risk Weighted Assets	125,584	108,542
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighter assets	21.86%	23.01%
Total Tier 1 capital expressed as a percentage of total risk weighter assets	21.86%	23.01%

APRA sets a prudential capital requirement for each ADI that sets capital requirements in excess of the minimum capital requirement of 9% as compared to the risk weighted assets at any given time. The prudential capital ratio remains confidential between each ADI and APRA in accordance with accepted practice.

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

20. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

	Note	2024 $'000	2023 $'000
Financial assets			
Cash	4	21,098	20,203
Investments	5	90,424	97,701
Loans and advances to members	7	187,797	150,107
Total carried at amortised cost		299,319	268,011
Investment securities - FVOCI		500	482
Total carried at FVOCI		500	482
Total financial assets		299,819	268,493
Financial Liabilities			
Deposits from members	13	269,411	239,800
Creditors and other liabilites	14	3,314	1,112
Lease Liability	15	194	41
Reserve Bank Term Funding Facility (RBA TFF)	16	-	2,441
Total financial liabilities		272,919	243,394

21. MATURITY AND INTEREST 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, these are broken down by loan risk, where there is a mortgage security attached to the loan, for personal loans and other loans like credit cards and overdraft facilities.
The residual contractual maturities of SWSbank's financial liabilities are detailed as follows.

2024	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Creditors, accruals and settlement accounts	3,314	-	-	-	3,314
Deposits from members	157,505	47,600	62,611	1,698	269,411
Lease liabilities	5	8	31	150	194
Total financial liabilities	**160,821**	**47,608**	**62,642**	**1,848**	**272,919**

2023	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Creditors, accruals and settlement accounts	1,112	-	-	-	1,112
Borrowings	-	-	-	2,441	2,441
Deposits from members	175,588	28,023	34,594	1,595	239,800
Lease liabilities	3	7	26	5	41
Total financial liabilities	**176,703**	**28,030**	**34,620**	**4,041**	**243,394**

A summary of SWSbanks' interest rate gap positions is as follows: This table sets out the period in which the interest rate on the various financial instruments reprice.

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).

21. MATURITY AND INTEREST PROFILE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

A summary of the SWSbanks' interest rate gap positions (in-line with APRA's directive for deposit maturity) is as follows: This table sets out the period in which the interest rate on the various financial instruments reprice.

2024	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	21,098	-	-	-	21,098
Investments	15,608	51,045	6,207	17,564	90,424
Loans and advances - mortgage	125,998	741	10,641	20,658	158,038
Loans and advances - personal	25,254	-	-	-	25,254
Loans and advances - other	1,712	-	-	2,793	4,505
Total financial assets	**189,670**	**51,786**	**16,848**	**41,015**	**299,319**
Deposits from members	157,502	47,600	62,611	1,698	264,911
Lease liabilities	7	7	31	149	194
Total financial liabilities	**157,509**	**47,607**	**62,642**	**1,847**	**269,605**
Gap	32,161	4,179	(45,794)	39,168	29,714
Cumulative gap	**32,161**	**36,340**	**(9,454)**	**29,714**	**-**

2023	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cash	20,203	-	-	-	20,203
Investments	18,258	53,929	9,564	15,950	97,701
Loans and advances - mortgage	95,497	-	10,992	20,434	126,923
Loans and advances - personal	18,523	-	-	-	18,523
Loans and advances - other	4,661	-	-	-	4,661
Total financial assets	**157,142**	**53,929**	**20,556**	**36,384**	**268,011**
Deposits from members	175,588	28,023	34,594	1,595	239,800
Borrowings	-	-	-	2,441	2,441
Lease liabilities	3	7	31	-	41
Total financial liabilities	**175,591**	**28,030**	**34,625**	**4,036**	**242,282**
Gap	(18,449)	25,899	(14,069)	32,348	25,729
Cumulative gap	**(18,449)**	**7,450**	**(6,619)**	**25,729**	**-**

22. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques.

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

Financial instruments carried at fair value

- Financial instruments classified as FVOCI are measured at fair value by reference to recent market transaction prices where available, where not available a range of high level values were determined using various valuation methodologies based on underlying cash flow assumptions for these entities.
- Investment securities are recorded at fair value in the statement of financial position and are included in level 3 of the fair value hierarchy.

Financial instruments carried at amortised cost

- The carrying values of cash and liquid assets redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.
- The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts. For variable and fixed 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 of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. SWSbank does not provide fixed rate deposits exceeding 12 months.
- The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently. SWSbank has **$4.5k** of short-term borrowings in counterparties.

Fair value information has not been provided for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

23. FINANCIAL COMMITMENTS

	2024	2023
	$'000	$'000
Outstanding loan commitments		
Loans approved but not funded	3,306	4,965
Loan redraw facilities		
Loan redraw facilities available	18,535	17,955
Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	3,221	3,217
Less" Amount advanced	(1.050)	(982)
Net undrawn value	2,171	2,235
Total financial commitments	24,012	25,155

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

Computer capital commitments
The cost committed under contracts with Ultradata Australia and Experteq are as follows:

Not later than 1 year but not 2 years	938	872
Later than 1 year but not 2 years	49	915
Later than 2 years but not 5 years	-	374
Later than 5 years		-
	987	2,161

24. CONTINGENT LIABILITIES

Liquidity support scheme

SWSbank is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, SWSbank is committed to maintaining 3.0% of the total assets as deposits with CUSCAL Limited and/or a CUFSS approved ADI.
Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.0% of the Credit Union's total assets. This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the balance date there were no loans issued under this arrangement.

Guarantees

There are no contingent guarantees as at 30 June 2024 (2023: nil).

25. RELATED PARTIES

Remuneration of key management persons

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of the SWSbank, directly or indirectly, including any director (whether executive or otherwise) of that SWSbank. Control is the power to govern the financial and operating policies of a SWSbank so as to obtain benefits from its activities. Key Management persons have been taken to comprise the directors and the 4 members of the executive management responsible for the day to day financial and operational management of the SWSbank.

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

	2024	2023
	$'000	**$'000**
(a) short-term employee benefits	945	888
(b) post-employment benefits - superannuation contributions	148	93
(c) other long-term benefits	-	-
Total	**1,093**	**981**

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and superannuation 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 the previous Annual General Meeting of SWSbank.

Loans to Directors and other Key Management Persons

	2024	2023
	$'000	**$'000**
(i) The aggregate value of loans to directors and other key management persons as at balance date amounted to	4,178	2,284
(ii) The total value of revolving credit facilities including VISA, to directors and other key management persons, as at balance date amounted to	46	36
- Less amounts drawn down and included in (i)	(24)	(24)
Net Balance available	22	12
(iii) During the year the aggregate value of loans disbursed to directors and other key management personss amounted to:		
Term loans	1,648	966
(iv) The aggregate value of interest paid by key management personnel amounted to:	169	84

The SWSbank'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.

25. RELATED PARTIES (CONTINUED)

Other transactions between related parties include deposits from KMP and their related parties.

	2024 $'000	2023 $'000
Total value of term and saving deposits from KMP	715	680

Transactions with Other Related Parties

There are no amounts outstanding at 30 June 2024 (2023: Nil).

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP:

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.

26. NOTES TO STATEMENT OF CASH FLOWS

	2024 $'000	2023 $'000
Reconciliatio of cash from operations to accounting profit		
Profit after income tax	2,611	2,376
Add (Deduct):		
No cash items		
Depreciation and amortisation expense	443	813
Impairment gain on loans and advances	125	813
Gain on sale of assets	-	(30)
Items classified as investing activities		
Dividends received	(28)	(24)
Movements in assets and liabilities		
Movement in employee benefits	83	156
Movement in current tax receivable	(269)	318
Movement in creditors, accruals and settlement accounts	2,202	8
Movement in other receivables	(102)	(381)
Movement in prepayments	-	25
Movement in net deferred tax assets	(24)	(56)
Net cash from revenue activities	5,041	3,342
Add (Deduct) non-revenue operations		
Net movement in member loans	(37,706)	(11,406)
Net movement in member deposits	29,611	8,577
Net cash from/(used by) operating activities	(3,054)	513

27. AUDITOR'S REMUNERATION

	2024 $	2023 $
Audit services:		
Auditors of SWSbank - Intentus (2023: Intentus)		
Audit and review of the financial reports	53,350	49,100
Other regulatory services	12,900	12,400
	66,250	61,500

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SOUTH WEST SLOPES CREDIT UNION LTD t/a SWSBANK
ABN 67 087 649 885

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of South West Slopes Credit union Ltd (t/a SWSbank), which comprises the Statement of Financial Position as at 30 June 2024, 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 declaration by those charged with governance.

In our opinion:

(a) the financial report of South West Slopes Credit union Ltd (t/a SWSbank) is in accordance with the Corporations Act 2001 (Cwlth), including:

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

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 (Cwlth)

(b) The financial report also complies with International Financial Reporting Standards as discussed in Note 1.

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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

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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 2024 but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 (Cwlth). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.

- Concludes on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

intentus

Leanne Smith

intentus

127 Keppel Street
Bathurst
Dated: 27th September 2024

Leanne Smith
Principal

CHARTERED ACCOUNTANTS
AUSTRALIA + NEW ZEALAND

Liability limited by a scheme approved under Professional Standards Legislation

Locations

Branches

Young (registered office)
89 Boorowa Street NSW 2594
P: 02 6384 1111
F: 02 6382 1744

Temora
200 Hoskins Street NSW 2666
P: 02 6978 1014
F: 02 6978 1121

Cootamundra
268 Parker Street NSW 2590
P: 02 6942 4144
F: 02 6942 4110

West Wyalong
147 Main Street NSW 2671
P: 02 6972 4400
F: 02 6384 1121

Agencies

Harden
Harden Newsagency
26 Neill Street NSW 2587
P: 02 6386 2333

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