

OUR STORE LOCATIONS



Community First Credit Union Limited
ABN 80 087 649 938
Operating as Community First Bank

AFSL/Australian credit licence 231204

REGISTERED OFFICE

Level 2, 67-73 St Hilliers Road,
Auburn NSW 2144
PO Box 98, Lidcombe NSW 1825

CONTACT US

1300 13 22 77
askus@communityfirst.com.au
www.communityfirst.com.au

ANNUAL REPORT 2023 COMMUNITY FIRST BANK



ANNUAL REPORT



2023

OUR MISSION

To help members achieve
their financial goals by
building relationships for
mutual benefit



easystreet.
where better banking lives

amigo

OUR VISION

- Community First is a member owned and community focused provider of financial services.
- We are committed to “*people helping people*” to achieve their financial goals.
- We continue to challenge stereotypes to remain relevant to the members and market needs.
- We will help create better and more sustainable communities where we operate.
- We make profits to reinvest in more services, member and community benefits and fairer fees.
- We expect to grow as a viable and secure community banking alternative.
- We manage our business for the long term and intend to stay customer owned into perpetuity.



1. **BANKSTOWN**
02 9735 1783
Bankstown RSL,
1 Meredith Street
2. **BLACKTOWN**
02 9735 1571
Blacktown Workers Club
55 Campbell Street
3. **CRONULLA**
02 8245 8270
Suit 109, Level 1
28-32 The Kingsway
4. **DEE WHY**
02 8245 8200
17-19 Oaks Avenue
5. **EDGEWORTH**
02 4393 8485
Ground Floor, Building B,
720 Main Road, Primewest
Edgeworth
6. **ERINA**
02 4393 8480
Suite 1.03A, Platinum Building,
4 Ilya Ave
7. **GOROKAN**
02 4393 8481
66-68 Wallarah Road
8. **LIVERPOOL**
02 9735 1782
107 Moore Street
9. **MT DRUITT**
02 9735 1781
Shop 11, Westfield Mt Druitt
10. **NARELLAN**
02 9735 1784
Shop 309, Narellan Town Centre
11. **PENRITH**
02 9735 1780
Shop 032, Nepean Village
12. **WARRIEWOOD**
02 8245 8230
Shop 18, Warriewood Square



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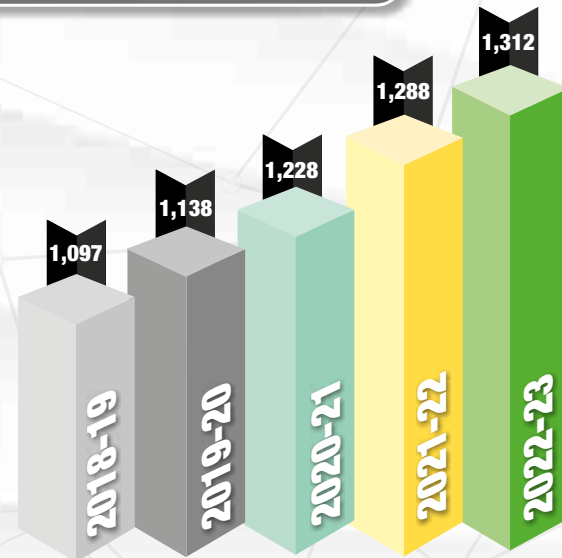
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CONTENTS

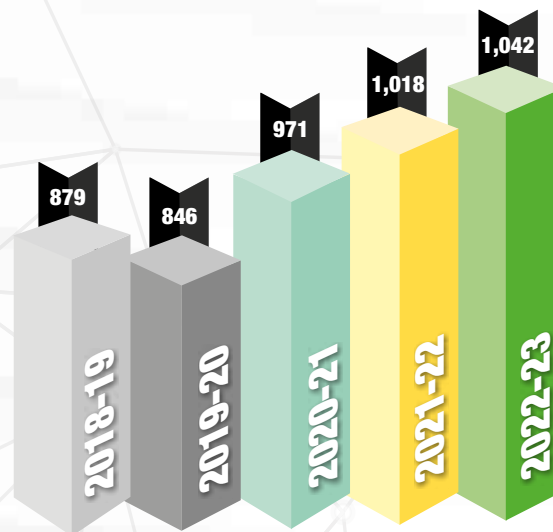
2	Five Year Summary	32	Directors' Report
3	Five Year History	39	Statements of Profit or Loss and Other Comprehensive Income
4	Chair's Report	40	Statements of Changes in Members' Equity
6	Chief Executive Officer's Report	41	Statements of Financial Position
8	The Value We Create	42	Statements of Cash Flows
12	Highlights of the Year	43	Notes to and forming part of the Financial Statements
14	Overview of our Progress	92	Directors' Declaration
16	Our Structure	93	Lead Auditor's Independence Declaration
17	Leadership Forum	94	Independent Auditor's Report
18	Our Members	96	Glossary and Abbreviations
20	Our Community	98	Community First Store Locations
22	Our People		
24	Our Environment		
26	Corporate Governance Statement		

FIVE YEAR SUMMARY

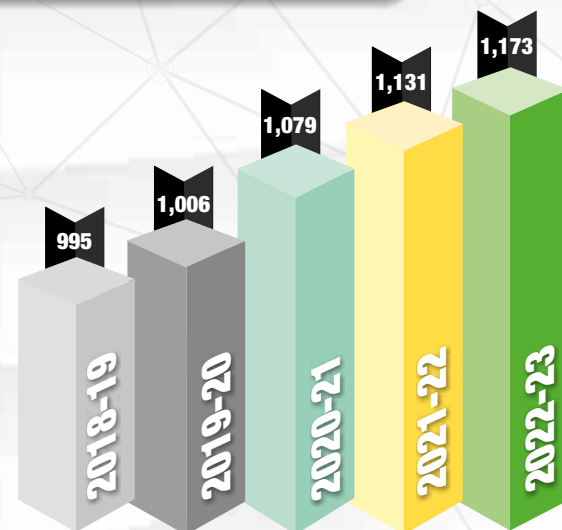
Total Assets \$ Millions



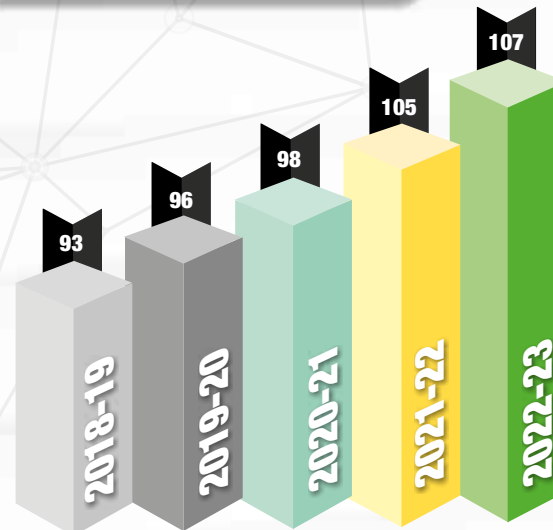
Gross Loans to Members \$ Millions



Member Deposits \$ Millions



Total Members' Equity \$ Millions



Total Assets:

The total of all Community First assets have grown by 1.9%.

Gross Loans to Members:

Gross Loans to Members is the total amount owed to Community First from home loans, personal loans, credit cards and overdrafts.

Member Deposits:

Member Deposits consist of savings, term deposits and membership shares.

Total Members' Equity:

Total Members' equity now exceeds \$100 million. The business has never been stronger.

FIVE YEAR HISTORY

2022-23 2021-22 2020-21 2019-20 2018-19

INCOME STATEMENT

Total income	\$'000	49,706	34,201	36,238	43,093	46,225
Interest income	\$'000	44,300	28,000	29,777	36,369	39,616
Net interest income	\$'000	28,308	24,753	23,922	24,042	24,059
Impairment losses on loans and advances	\$'000	437	393	424	580	400
Operating expenses ¹	\$'000	28,103	27,581	27,438	29,017	28,835
Operating profit after tax	\$'000	4,009	2,704	2,002	1,078	1,203

STATEMENTS OF FINANCIAL POSITION

Total assets	\$'000	1,311,779	1,287,524	1,227,994	1,137,889	1,097,498
Gross loans and advances to members ²	\$'000	1,042,415	1,017,921	970,846	845,618	879,060
Provision for loan impairment	\$'000	1,785	1,720	1,611	1,611	1,431
Member deposits	\$'000	1,172,524	1,131,002	1,078,894	1,006,146	994,652
Total Members' equity	\$'000	106,992	104,521	98,375	96,087	92,810

RATIO ANALYSIS

Total revenue to average assets	%	3.82	2.67	3.06	3.86	4.35
Operating expenses to average assets	%	2.16	2.15	2.32	2.60	2.71
Net profit after tax to average assets	%	0.31	0.21	0.17	0.10	0.11
Net profit after tax to average equity	%	3.76	2.70	2.07	1.14	1.34
Net interest margin to average assets	%	2.18	1.97	2.02	2.15	2.26
Provision for loan impairment to average loans	%	0.17	0.17	0.18	0.19	0.17
Net assets per Member	\$	1,905	1,910	1,801	1,742	1,700

STATISTICAL INFORMATION

Number of Members ³	56,156	54,742	54,599	55,226	54,597
New Members	5,191	4,389	4,513	4,555	4,438

Notes:

1. Excludes Impairment losses on loans and advances.
2. Excludes Provision for loan impairment.
3. Non-IFRS information has not been audited or reviewed by the external auditors, but has been sourced from the core banking system and includes regular dormant account removals.

CHAIR'S REPORT

Welcome to the 2022/23 annual
report for Community First Bank.



STEPHEN NUGENT
CHAIR OF DIRECTORS

Member and owner since 2002

Community First Bank is a member-owned, community-focused organisation that only exists for the benefit of our members. I am delighted to report that Community First continues to build strength and resilience year-on-year, and the details of this are described in full in our Annual Report.

Among the highlights of this year's financial results are a significant increase in Net Profit After Tax to \$4.0 million, up from \$2.7 million last financial year. Our net interest margin increased by 21 basis points from 1.97% to 2.18% due to successive increases in the Reserve Bank of Australia's official cash rate.

Our balance sheet remains robust, with total assets now exceeding \$1.3 billion, representing 1.9% growth on the previous financial year. Our personal loan book grew by 36.8% to \$83 million, and is expected to exceed \$100 million in the 2023/24 financial year. The Bank's retail term deposit book grew by \$127 million to \$462.5 million – an increase of 38.0%, providing longer maturity duration from a liquidity risk perspective.

Balancing our members' needs

As we embrace a post-COVID world, I am proud of the Bank's ability to navigate the pandemic backed by the support of our members and staff. However, we are also mindful that pressure from rising living costs is impacting the ability of some members to achieve their financial goals. 2023 saw the end of record low interest rates, and rising interest rates meant borrowers and depositors also had to adapt.

When interest rates fell to record-low levels through the pandemic, the pressure on depositors and self-funded retirees was considerable. Community First aimed to maintain deposit rates at the most competitive levels possible. Conversely, as interest rates have risen, our team has been called on to balance the cost of raising deposit rates against the cost to borrowers. At these times, the benefit of mutuality and our absolute focus on members instead of shareholder returns has been a considerable advantage of our operating model.

The current cost of living pressures and continued housing affordability challenges faced by many of our members has been a regular discussion point for the Board and management. Community First is committed to assisting where possible, and lending initiatives, third party relationships, support from our trained staff, education or improved technology are among just some of the ways we'll extend our support. Whether members are aiming to buy a car, home or investment property, or simply manage their credit card, our products and service standards will always aim to ensure they help our members achieve their financial goals.

Adapting to ongoing change

The temporarily high inflation Australia is facing means the cost to simply put petrol in our cars, use energy in our homes or pay grocery bills will challenge many consumers. Community First supports members to meet these challenges through more flexible products such as offset accounts on fixed rate home loans, low-rate basic home loans, financially and socially compelling

credit cards, unsecured personal loans with competitive interest rates and bonus saver accounts that reward depositors for regular savings. Further, an overview of how we're addressing key environmental, sustainability and governance risks is outlined from page 8.

Unfortunately, Community First is not immune to rising costs, and the ongoing cost of implementing a constant flow of regulatory changes must be absorbed by the Bank. Nevertheless, the strategy of Community First has, and always will be, centred on being a niche provider of financial services, excelling on the customer experience. We deliver outstanding experiences through a multi-channel environment, and whilst many of our products are award-winning, our ongoing profitability is the Bank's only viable source of capital.

In practical terms this means that while Community First is always prepared to support any initiative to control or reduce fraud or improve member service outcomes through faster or less expensive processes, regulatory change must continue to be assessed against customer outcomes. Moreover, it needs to be proportional so that regulatory change does not adversely affect smaller banks such as Community First. The Customer Owned Banking Association (COBA) continues to champion the importance of proportionality with the government and regulators.

Embarking on our next phase of growth

During the financial year, we explored other opportunities for growth. While some did not eventuate, true to our nature, we have set a course to embrace other opportunities and position ourselves for our next phase of growth. We recognise that there are numerous pathways to success, and our focus in achieving sustainable growth is unwavering.

Looking forward, Community First Bank has high levels of confidence that we will continue to be a viable banking alternative, meeting the needs of members and the wider community. Our capital and liquidity positions remain well above minimum levels, the organisation meets its compliance obligations and most importantly, Community First remains absolutely committed to its mission of helping members achieve their financial goals.

Accordingly, I'd like to thank our members for their ongoing support and recommendations to friends and family. My gratitude also goes to our business partners for helping us achieve our mission and vision, and to our staff for their commitment in making a difference to the financial goals of our members, whatever they may be.

Stephen Nugent
Chair of Directors

“We continue to build strength and resilience year-on-year, while remaining a viable banking alternative, meeting the needs of our members and the wider community.”

CEO REPORT



JOHN TANCEVSKI
CHIEF EXECUTIVE OFFICER

Member and owner since 2005

Community First Bank has once again produced a strong financial result in difficult and uncertain times. Our continued focus on financial discipline and high standards of service to members means that a balanced approach to executing our strategies continues to meet member expectations.

During the year, the Bank implemented significant changes to its technology platforms by enabling members to benefit from enhanced banking security upgrades such as stronger passwords and one-time passwords for greater fraud prevention. The new PayTo platform – an alternative to direct debits that gives consumers more control over how payments are accessed from their account, was implemented faster than most of the larger banks.

In 2022 we took an important evolutionary step by implementing a small change to our name from Community First Credit Union to Community First Bank. We want to make it easier for people to understand who we are and what we do, particularly younger generations who are less familiar with credit unions. That doesn't mean we'll change who we are or start acting differently – it's simply a subtle name change to help us become more relevant to the markets we serve.

In the next 12 months, members will see significantly more investment in our loan origination systems and on-boarding applications. Community First is committed to improving our members' digital experience, and the Bank will continue to invest in new technology that delivers an easier and faster customer experience.

Continued success through controlled growth

The test of relevance we often apply references our ability to grow as this indicates we are meeting more member needs. On this basis, I am pleased to report that our balance sheet remains strong, with total assets now valued at \$1.312 billion including a loan book that has grown to \$1.042 billion.

In recent years, Community First has experienced consumer lending demand far greater than our capital or liquidity requirements could accommodate. This has underpinned a prudent approach to controlled, sustainable growth, which ensures we grow within acceptable capital ranges. However, as a member-owned financial institution, we are exploring new means of meeting growing demand, and we will commit to these opportunities in the future by continuing to adapt our business.

In order to continue this strategic theme of controlled growth, over the year ahead Community First will refocus our approach and target initiatives that make the customer experience even simpler and faster. The post-COVID economic environment has accelerated the adoption of digital applications with traditional transactions such as buying a car or home now often performed entirely online from purchase to settlement. This means Community First needs to continuously evolve and adapt so that we always provide a safe and transparent means of assisting those purchase decisions.

Enhancing convenience and security

Our online brand Easy Street targeting time-poor consumers or those who want to engage with their bank online, also continues to evolve and grow. Easy Street will also benefit from proposed improvements to on-boarding and loan origination systems in the near future.

As more Australians choose digital channels as their preferred means of banking and money management, Community First is committed to maintaining the highest levels of safety and security protocols. However, consumers also need to play their role by remaining diligent. We continue to urge consumers to prevent becoming victims to scammers by protecting themselves. Simple steps such as never disclosing or sharing passwords, and not giving out any personal details are at the vanguard of cyber safety.

In a changing world, Community First has always been committed to helping our members achieve their financial goals. As such, we welcome the announcement by the Federal Treasury to bring buy now pay later (BNPL) products within the scope of the *National Consumer Credit Protection Act 2009 (Cth)*. We believe ending the existing self-regulation of BNPL will be a plus for our members, some of whom have been unable to achieve their financial goals due to debts built up through BNPL.

More connected, more committed

From our establishment in 1959 by a group of depositors who wanted to help colleagues, friends and family borrow money, Community First is unwavering in its commitment to our members and our community. In 2023, the size of the loans we offer may be bigger, and the loans may have evolved, but the need for an alternative to the bigger banks has never been greater.

Our history has shown that a community-focused, member-owned financial co-operative can compete with shareholder-owned banks – particularly if the playing field allows such competition. There will always be challenges to overcome, but the capital our members have created through inter-generational loyalty will continue to provide an effective platform to continue the story created in 1959.

I would like to thank our members for being our greatest advocates among friends and family that other options for banking services exist. I also share my gratitude to Community First staff for their unwavering commitment to serve members. None of us can predict the future but I remain confident that there will be many opportunities for Community First to explore.

John Tancevski
Chief Executive Officer

“Our continued focus on financial discipline and high standards of service to members means that a balanced approach to executing our strategies continues to meet member expectations.”

THE VALUE WE CREATE

A practical approach to environmental and sustainable initiatives.

Community First's mission is to support members achieve financial goals through savings and borrowings, and an intergenerational profit-sharing model, leveraging past members' product usage for present members' benefit. Community First is a member-owned and community-focused organisation that only exists for the benefit of members. It was created in 1959 under the principles of mutuality.

Community First upholds the principles of mutuality through the economic and governance relationship tests. Members are treated equally and participate in governance through their vote, and undistributed surpluses are shared in the event of a winding up.

A brighter future: An unwavering focus on helping members achieve their financial goals is embedded within our governance framework and strategies.

The organisation's constitution outlines various objectives, such as raising funds through deposits and borrowings, providing financial products such as loans and credit cards, and encouraging savings through different accounts. It also includes providing programs and services to members to assist them to meet their financial, economic and social needs and to promote, encourage and bring about human and social development among individual members and within the larger community within which members work and reside.

Community First promotes co-operative enterprises, offers programs and services to meet members' needs, fosters human and social development in the community, and collaborates with other credit unions and co-operatives locally and internationally to further members' interests. Additionally, Community First aims to assist groups in forming credit unions and supports the growth of established credit unions through information sharing and resources provision.

In line with its vision, Community First Bank is committed to fostering improved and more sustainable outcomes for members and their communities. As early as 2006, the bank began offering Green Loans to support environmentally sustainable initiatives.

While our growing balance sheet demonstrates the competitiveness of our products and services, we strive to go beyond expectations in service, relationships, and brand. This commitment leads our existing members to refer us to others as a reliable and preferable banking alternative through word-of-mouth.

Who we influence

- **Our members** – Our existence involves assisting members to achieve various goals such as owning a home, buying a car, funding holidays, and reaching their savings targets. While obtaining loans was challenging in 1959, the current landscape is different and demands trustworthy advisers and reliable banking alternatives, which we continue to provide.
- **Our staff** – Our dedicated staff offer expertise, guidance, and problem-solving, building enduring trust and relationships. We strive to surpass customer expectations in service, relationships, and brand, emphasising the training and growth of our team to deliver the service our members rightly deserve.
- **Our communities** – We understand the positive impact of better and more sustainable outcomes on individuals, families, and communities. Our members' communities, whether schools, workplaces, local governments, or the environments they live in, benefit from relationships we build as a community-focused bank.

For example, the Green Loan program was developed to reduce the financial burden for members investing in environmentally friendly initiatives by providing access to an unsecured personal loan. Our low rate Pink and Blue credit cards provide much needed donations to the McGrath Foundation and Prostate Cancer Foundation of Australia.

Identification of sustainability impacts and topics

Community First's strategic planning and risk management frameworks have identified key items for analysis. These include:

- Helping members achieve financial goals in a challenging economic environment
- Housing affordability
- Building better/more sustainable outcomes for communities.

Where we're striving to make a difference

Helping members achieve their financial goals, helping them tackle housing affordability and creating better, more sustainable communities are at the centre of key initiatives we're contributing to today. In practical terms, these are engrained within our strategy and constitution and have always been at the heart of what we do.

As a customer-owned Bank, we focus on key impact areas, considering our size and limited resources, and aligned activities to our strategy and ongoing initiatives.

That said, there are several areas where we are proudly making a difference.

- **Helping members choose the right products**
Community First aids members in achieving financial goals amidst rapid interest rate fluctuations by providing essential guidance in product selection. Understanding the impact of rising rates and planning for it can be challenging for members. We offer fixed-rate mortgage options with flexible features and general advice, ensuring members have suitable products and proper insurance coverage.
- **Keeping members safe**
We prioritise members' safety by navigating the digital evolution, enhancing security measures, promoting scam awareness, and safeguarding their information. As a trusted provider of financial services, we play a crucial role in securing members' money and data throughout their customer journey.
- **Forging strategic community partnerships**
Community First forges strategic partnerships with community groups that positively impact our members. We support them through product innovation or financial support, whether its beach safety, breast cancer support, or disaster relief.
- **Mitigating housing affordability challenges**
We are also making a difference by helping members tackle housing affordability. Sydney's median house price is over \$1 million, and many other cities are now approaching that level. This poses challenges for homebuyers who usually need to save 20% to qualify for a loan.

Community First facilitates affordable homeownership through diverse strategies, which include involvement in government initiatives, third party funding partnerships, pricing, promoting savings and policy enhancements. By utilising Mortgage Insurance, fixed-rate loans, offset accounts, and accelerated repayment options, we ease the home buying journey for our members.
- **Identifying climate related risks**
Community First is also making a difference by actively identifying climate related risks, including 'Transition Risks' from policy, legal, technological and market

changes towards a lower carbon economy. We also tackle 'Physical Risks' arising from extreme weather events, chronic heatwaves, sea-level rises, erosion, and biodiversity loss.

Our contribution to making a difference extends to creating improved and sustainable outcomes for communities such as:

- **Managing transition risk and supporting environmentally friendly choices:** Community First supports eco-conscious purchases such as solar panels, battery systems, electronic vehicles and charging stations. With lower-cost finance options, we encourage environmentally friendly homes and cars, benefiting both the community and the buyers' financial wellbeing. Since 2006, Community First has provided Green loans for environmentally friendly initiatives. We've also expanded our distribution channels and relationships to reach national markets.
- **Managing physical climate risks by stress testing the portfolio:** Physical risks to members' properties or businesses relate to extreme weather events, chronic heat waves, sea-level rises, erosion, and a loss in biodiversity. Community First manages the impact of physical changes on the balance sheet and consumers through regular stress tests on its loan portfolio and also geographical risk exposure reviews. Current modelling highlights a very low risk profile within our existing loan portfolio from which any subsequent losses are likely to be met through existing credit provisions or credit-loss reserves.

Community First will also share adverse findings from loan valuations with the relevant consumer when applying for the loan.

A TANGIBLE DIFFERENCE

WHAT WE KNOW	WHAT WE DO	QUANTIFIABLE IMPACTS
Providing the right solutions for the right circumstances is important for member outcomes. Interest rate volatility in the current environment creates challenges for many consumers.	We provide a variety of flexible and fully featured savings and lending products. We actively utilise a range of methods to differentiate our offering to widen the appeal of our products and services to the markets we serve. We work closely with those who fall in to hardship to explore available options to improve their financial position.	Community First's Balance Sheet has grown to over \$1.3Bn in 2023. The Personal loan portfolio reached a record high in the 2022/23 financial year. Our arrears are exceptionally low with 0.45% over 30 days.
Unfortunately, scammers are constantly evolving to take advantage of opportunities to generate scams that often result in losses.	We implemented a secure banking platform upgrade including one-time passwords and stronger passwords. We monitor unusual payments 24 x 7 using the Vigil Fraud monitoring service. Member education is also conducted regularly.	Less than 0.50% of our member base was impacted by some type of fraud during the financial year.
1 in 7 women will be diagnosed with breast cancer in their life with 57 women diagnosed every day this year. It costs around \$140,000 a year to fund a full time McGrath Breast Care Nurse, including training and development. 66 Australian men are diagnosed each day with prostate cancer, and about 10 Australian men will die each day from the disease.	The McGrath Foundation and Prostate Cancer Foundation of Australia raise money to fund specialist nurses in communities around Australia. Through product innovation, fees from our pink and blue cards are donated every year to help fund the cost of McGrath Breast Care nurses and PCFA Specialist Nurses so no-one experiences breast or prostate cancer without the care of a specialist nurse.	Member donations from the annual credit card fee now exceed \$1.36M since inception. There's 200 McGrath Breast Care Nurses in communities across Australia who have supported more than 123,000 families since 2005. There are 104 PCFA Nurses nationwide, 128 support groups and this year, a PCFA Nurse will support 2 in 3 newly diagnosed men.
Local surf life-saving clubs are a major contributor to the safety of the community in which they operate. Clubs have a strong focus on the interests of community members, and have a long history of delivering social, cultural and economic assets that benefit local communities.	Community First has sponsored the Queenscliff SLSC for over 18 years and ClubsNSW for over 15 years as a Silver Corporate Partner.	QLSC have been able to achieve their goal of zero deaths. Community First's sponsorship helps contribute to the cost of surf life-saving boats, which are used for competitions and skill development. Through the pandemic and recent natural disasters, clubs elevated their roles as meeting points, vaccination hubs and refuges to locals.

WHAT WE KNOW	WHAT WE DO	QUANTIFIABLE IMPACTS
Sydney's median house price is over \$1 million, and many other cities are now approaching that level. This poses challenges for homebuyers who usually need to save 20% to qualify for a loan.	We implemented initiatives to make home buying better value and/or happen sooner, such as our preferred borrower scheme, offering mortgage insurance, pricing specials, guarantees and participation on the panel of lenders with the NHFIC Home Guarantee Scheme since 2020.	15.65% of our home loan portfolio has had some form of credit enhancement applied. I.e. low deposit loans.
Transport NSW suggests that electric vehicles can cut fuel costs by up to 70% and Australia's Electronic Vehicle Council notes that electric vehicles can provide savings of \$300-\$400 annually on maintenance costs ¹ . Making our homes more eco-efficient can mean annual savings of up to \$450 in heating and cooling bills but there is a cost to invest in solar.	Community First has offered Green loans for the purpose of funding environmentally friendly initiatives since 2006. Green loans can help finance the cost of solar panels, rainwater tanks and electric and hybrid cars. Community First offers a lower unsecured personal loan rate for members looking to finance a new hybrid or electric vehicle.	To date, Community First has helped thousands of households make environmentally friendly improvements. 12% growth in new green loans by value compared to the previous financial year.
Australia and the world's climate is susceptible to extreme weather events including chronic heat waves, rising sea-levels, erosion and a loss in biodiversity. Extreme weather events can create damage to property or change the value of securities on loans.	Community First regularly stress tests its loan portfolio for climate risks or related exposures to any geographic location in our lending portfolio. We also use the services of experienced valuers who provide external references to any potential exposures.	Only 17.15% of the mortgage portfolio or \$165M in lending exposures would potentially fall into any higher risk exposure. These risks are adequately covered by the existing credit provisions and reserves.

¹ <https://www.transport.nsw.gov.au/projects/electric-vehicles/why-buy-an-electric-vehicle>

ANNUAL HIGHLIGHTS



Easy Street celebrates record investment loan growth.

FEBRUARY

Community First's portfolio of personal loans reaches a new milestone, exceeding \$80M for the first time.

MAY

Time to cheque out - deposit books and cheque books are officially retired.

SEPTEMBER

Our Belmont Store closes as we redirect resources to areas where we can better serve our members.

OCTOBER

We embark on our next phase of evolution by replacing the word 'credit union' in our brand name to 'bank'.

NOVEMBER

Members are given more control over payments with the launch of PayTo.

DECEMBER

22

An important upgrade was made to internet banking and the mobile apps with SMS one time passwords Introduced for an added layer of security.

JANUARY

Easy Street was the winner of five Canstar 2023 Outstanding Value Awards including Home Lender, Variable Home Lender, Investment Home Lender, Investment Variable Home Lender and Investment Fixed Home Lender.

FEBRUARY

Cronulla Store gets an upgrade with a renovation completed.

FEBRUARY

Improved online banking security with stronger Internet Banking Password criteria now available.

APRIL

Easy Street was awarded Best investor 1 Year Fixed Home Loan at the Finder Home Loan Awards 2023 and highly commended for the 2-year option.

MAY

Easy Street, Winner - Mozo Expert's Choice, Australia's Best Small Customer Owned Bank.

JUNE

Community First prepares for retirement of cheque deposits and bank cheques in September 2023.

JUNE

23

OVERVIEW OF OUR PROGRESS DURING THE FINANCIAL YEAR

The 2022-23 financial year marked a year of significant achievements for Community First – and as always, the benefits flowed to our members.

OUR APPROACH TO RISK MANAGEMENT

Risk is an essential part of doing business. Understanding and managing the risks – strategic, financial, regulatory, reputation and operational, that Community First faces is key to the successful governance of Community First.

The Board and management team have a robust risk framework in place developed in accordance with the Australian and New Zealand international standard on risk management and regulatory requirements.

We believe that aligning risk appetite, risk strategy and risk culture drives a competitive and sustainable business. It balances the risk appetite or the preferred level of risk Community First is willing to accept in pursuit of its strategic objectives, and risk tolerance as the maximum level of risk that can be tolerated without risking the ongoing viability of Community First.

Further information on Community First and its approach to Risk Management is contained on page 29.

As a member-owned Bank, Community First has an unwavering focus on delivering outcomes that support our members and their communities. We achieve this by helping members reach their financial goals by building relationships for mutual benefit. We're more committed and more connected than ever and the results show. Our strong financial performance and high member satisfaction scores are a clear indication of our success, placing us in a solid position to embark on our next phase of growth.

One of the defining characteristics of the 2023 financial year was the end of historically low interest rates. A relentless string of rate rises coupled with increasing living costs saw many consumers face financial pressures. Community First has aimed to help members navigate these challenges by keeping our lending rates as low as possible, while also balancing the needs of members who rely on savings as a source of income.

A strong balance sheet

Our members can rest assured that Community First enjoys a robust financial position. We have a strong balance sheet, with total assets now valued well above \$1.3 billion, backed by a personal loan book that has grown by over 36% in the financial year.

Despite the challenges of rising interest rates, our Net Profit After Tax for the financial year is \$4.0 million, up from \$2.7 million in 2021/22. Our retail term deposits grew by \$127 million to \$462.5 million. This not only highlights the strength of the Bank from a liquidity risk perspective, it is also testimony to the attractive interest rates we offer our members on their cash savings.

Helping members save on rising costs

As Australians face rising power bills, we continue to offer products to help finance the cost of environmentally friendly purchases, in order to give members the opportunity to cut some of their largest bills such as power and fuel costs.

Our Green Loans which can be used to finance the cost of solar and other green home improvement projects have proven popular in a year that saw spiralling electricity costs – with more to come. As more of us embrace the potential savings of hybrid and electric vehicles, we provide flexible and competitively priced Green Car Loans.

Supporting local communities

No bank operates in isolation, and Community First lives up to our name. We recognise the flow-on effect our initiatives and connections are able to make in supporting the communities in which our members live and work.

Once again, we were a major sponsor of Queenscliff Surf Life Saving Club, in a relationship that now spans over two decades and supports the club's important work in helping keep the community safe.

We are deeply proud of our lengthy partnership with the McGrath Foundation and its much-needed work supporting the availability of breast care nurses to Australians diagnosed with breast cancer.

This is a disease that affects the lives of many Australians, with 57 people, mainly women, diagnosed with breast cancer each day across Australia.

In a relationship that now spans 14 years, it has been our great pleasure to have raised donations totalling over \$1.3 million for the McGrath Foundation. This achievement could not have been made without the support of our members. Half the \$40 annual fee from our Pink Credit Cards plus \$1 of each monthly fee on our Pink Debit Cards is donated to the McGrath Foundation every year.

Community First also supports men's health by donating half the annual fee (\$20) from each Low Rate Blue Credit Card to the Prostate Cancer Foundation of Australia, via a partnership we're eagerly developing to assist with its future aspirations.

Through the financial year we continued our sponsorship of ClubsNSW as a Silver Corporate Partner in recognition of the valuable role clubs play helping communities come together, and delivering community support in times of need.

Reinvesting in services for members

As a member-owned bank, Community First does not pay profits to shareholders. Rather, we invest in our products and services to continually improve our member offering. The 2022/23 financial year was no exception.

The year saw Community First launch PayTo – an alternative to direct debits that gives members more control over their payments. In a year that saw a number of large-scale and well-publicised data breaches, Community

First invested in ongoing education on scam awareness for our members, while also upgrading our online banking platform to offer greater security and convenience.

Importantly, we introduced an additional upgrade to internet banking and our mobile apps, adding SMS one-time passwords to deliver an extra layer of security for members.

Easy Street wins a swag of awards

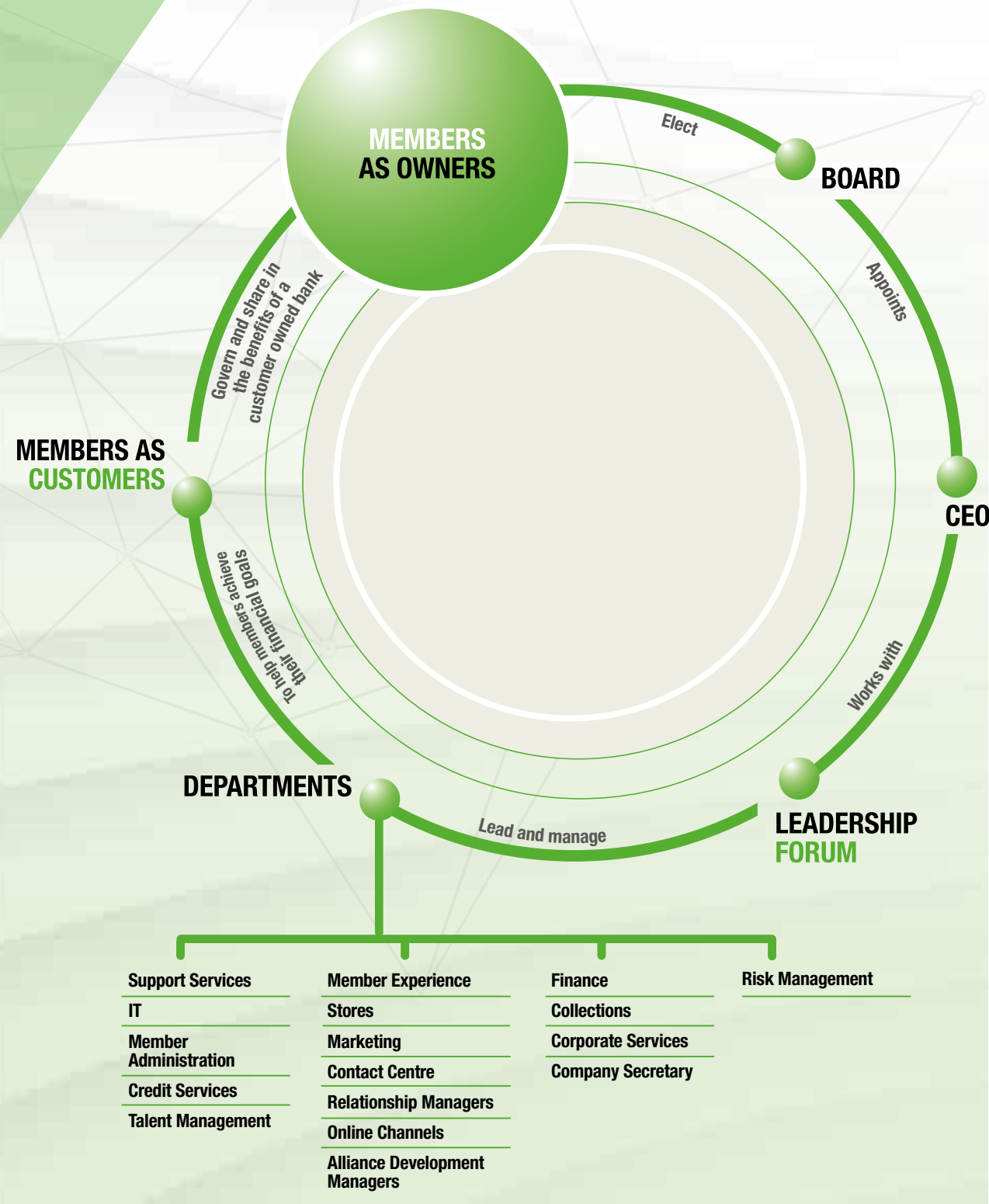
Our online bank brand – Easy Street, won multiple industry awards through the financial year. These awards came from a variety of sources, reaffirming Easy Street as a value-packed option to help Australians enjoy good value financial products.

Quality teams dedicated to serving members

We continued to help our members through the support of highly skilled and dedicated teams. Our philosophy of "people helping people" is backed by ongoing training and development that allows our people to address members' evolving needs. By way of example, we partnered with the NSW Ageing and Disability Commission to develop a training program aimed at helping our staff recognise the threat of financial abuse.

Moreover, in challenging times Community First customers can always rely on a friendly face at our Stores. Many of our team have been part of Community First for over a decade. This year alone, we celebrated the achievement of nine staff members, who have been with us for 15 years or more.

OUR STRUCTURE



LEADERSHIP FORUM

The Leadership Forum is the management committee that meets regularly to discuss strategic and operational issues and manage the enterprise risk management framework. The Leadership Forum is the principal decision making committee through which all business decisions and policies are determined, and its participants include the Chief Executive Officer (CEO), his direct reports, and relevant operational business unit managers.

JOHN TANCEVSKI

Member and owner since 2005

B.Comm (Accy),
FCPA, MBA GAICD
Chief Executive Officer
and
Company Secretary

HUNG TRUONG

Member and owner since 1999

B. Commerce
(Accounting),
FCPA Chief Financial
Officer and
Company Secretary

MARTIN BARTER

Member and owner since 2014

Associate of Institute
of Bankers (ACIB UK),
GAICD Member of
Securities and Futures
Authority (SFA)
Chief Risk Officer

ALETIA FYSH

**Head of Marketing
and Product**

BEN IRONS

**Head of
Distribution**

JEMMA GEORGITSIS

**Collections
Manager**

ROBERT BATTYE

**Head of IT Dept
and Analytics**

SCOTT TODD

**Head of
Credit Services**

TRACEY JACKSON

**Talent
Manager**

OUR MEMBERS

We continue to support our members through change, constantly evolving to meet their needs.

The 2022/23 financial year delivered a number of challenges to Community First members – as it did to all Australians. A string of consecutive interest rate rises have compounded cost of living pressures for members with a home loan. On the other side of the ledger, higher interest rates have benefited members with savings, providing better returns on their deposits.

As always, Community First has acted to balance the interests of both borrowers and depositors. Against this economic backdrop, we are also witnessing rapid changes in technology that are reshaping the way our members manage their money. Here too, Community First is responding to our members' needs, and we are committed to helping members embrace exciting new digital tools.

Supporting members in an evolving payments landscape

The financial year saw the launch of PayTo – an alternative to direct debits, which gives members more control over their payments. PayTo allows members to view, authorise, decline or change payment agreements for payments such as phone bills, flights and streaming subscriptions. Although it will take time for all businesses to begin offering PayTo, Community First has ensured our systems are ready to support the roll out as more Australians embrace this payment option.

We are supporting our members through an evolving payments landscape in other ways. As a sign of how things have changed, back in the 1980s cheques accounted for 85% of non-cash payments. Today, fewer than 0.2% of all consumer payments are made by cheque. Reflecting this, during the financial year we ceased issuing and accepting personal cheques, and began preparing members for a further change when bank cheques can no longer be issued or deposited.

We understand that change is not always easy, and for some members this is a difficult step to navigate. However, like many financial institutions, we use a third party aggregator for cheque services, and this service is being withdrawn from the broader banking market.

Our members can rest assured that although cheques are continuing to fade from the banking landscape, it is still possible to deposit cheques via Bank@Post.

Our evolving store network

While much has changed, the value of face to face service can never be overestimated, and we continue to recognise the importance of our store network in helping members borrow, invest, solve problems and more. Community First's store network will always be in a state

of change so that we can better meet the needs of our members at any point of time. But we remain committed to always giving members the opportunity to speak with one of our friendly team in-store.

Through the year, our Cronulla Store received an upgrade with a bright new renovation to improve the layout and branding. We also closed our Belmont Store, allowing us to redirect resources to areas where we can better serve our members. All staff from the Belmont store were redeployed to other areas of the business.

An important uplift to digital services

In addition to ongoing education on scam awareness for our members, we have been working on upgrading our online banking services to offer greater security and convenience.

An important upgrade was made to internet banking and the mobile apps, introducing SMS one-time passwords for an added layer of security. Stronger internet banking password criteria was also released giving members the option to set a more secure password. This important step makes it difficult for others, including scammers, to guess passwords – even machine-generated patterns often used by cyber criminals.

Easy Street a stand out for outstanding value

For over two decades our online bank brand – Easy Street, has been offering straightforward, simple value for money, and we are delighted to announce that during the financial year Easy Street was awarded numerous industry accolades.

These awards included:

- Best investor 1-year Fixed Home Loan at the Finder Home Loan Awards 2023, with a Highly Commended certification for the 2-year loan option.
- Five Canstar 2023 Outstanding Value Awards including Home Lender, Variable Home Lender, Investment Home Lender, Investment Variable Home Lender and Investment Fixed Home Lender.
- Mozo Expert's Choice award for Australia's Best Small Customer Owned Bank.

Given the competitive home loan market in Australia, winning multiple awards is a significant milestone for Easy Street, and testimony to the excellent value and simplicity we offer our members. It is also a fantastic achievement as the awards represent a record haul for Easy Street, giving members reassurance that we continue to improve our products and services year by year.



OUR COMMUNITY

As a member-focused organisation, Community First plays an active role across our local communities.

Community engaging as a bank

At Community First we recognise that community perceptions change over time. After more than 60 years-plus as a credit union, we completed the transition to become known as Community First Bank. We believe this makes it easier for community members – especially younger generations, to understand who we are and what we do.

Our partnership with the McGrath Foundation

Community First is a long-standing partner of the McGrath Foundation and its mission to support the availability of breast care nurses to Australians diagnosed with breast cancer.

It is estimated that 57 Australians, mostly women, are diagnosed with breast cancer every day in this country, and the incidence is increasing.

We are proud to be supporters of the McGrath Foundation since 2009, having raised donations totalling \$1,369,573 for the Foundation over the last 14 years.

This outstanding result could not have been achieved without the support of our members. Half the \$40 annual fee from our Pink Credit Cards plus \$1 of each monthly fee on our Pink Debit Cards is donated to the McGrath Foundation every year.

These donations are making a measurable difference. There are now 200 McGrath Breast Care Nurses in communities across Australia, who have supported more than 123,000 families since 2005.

McGrath Breast Care Nurses are specialised, registered nurses trained to manage the care of people with breast cancer, offering medical expertise, clinical care and psychosocial support from the time of diagnosis and throughout treatment. It costs around \$140,000 annually to fund a full-time McGrath Breast Care Nurse. Additional funding is needed to meet the Foundation's goal of 250 nurses by 2025, as they work towards ensuring no Australian misses out on this vital care.

Throughout the financial year, Community First extended its involvement in the fight against breast cancer. During Breast Cancer Awareness Month in October, we doubled the donation for each Low Rate Credit Card approved, with funds going towards the McGrath Foundation.

Our sponsorship of Queenscliff SLSC

For almost 100 years, members of the Queenscliff Surf Life Saving Club (SLSC) on Sydney's Northern Beaches, have been patrolling Queenscliff Beach and its surrounds, providing surf life saving and first aid support to the surfing public and beach-going community.

We recognise Queenscliff SLSC as a major contributor to the safety of the community in which it operates, and during the financial year Community First once again sponsored the club.

Our sponsorship spans almost two decades, and has assisted with the cost of a new Community First-branded surf life saving boat each year. We also sponsor the Queenscliff SLSC annual charity golf day to assist with the club's additional fundraising efforts.

Partnering with ClubsNSW to enrich communities

The financial year saw Community First continue our sponsorship of ClubsNSW as a Silver Corporate Partner. Established in 1920, ClubsNSW represents more than 1,200 member clubs, and makes an important contribution to state and national policy direction.

Like Community First, ClubsNSW has a strong focus on the interests of community members, and it has a long history of delivering social, cultural and economic assets that benefit local communities.

We have seen this through the pandemic and recent natural disasters when clubs elevated their roles as meeting points, vaccination hubs and refuges to locals.

We are proud to support clubs in NSW and the important role they play in helping to build better communities.



Supporting the Prostate Cancer Foundation of Australia

It is alarming to consider that more than 24,000 Australian men will be diagnosed with prostate cancer this year alone. The Prostate Cancer Foundation of Australia (PCFA) envisages a future where no man dies of prostate cancer, and Australian men and their families receive the support they need.

Community First continued our support of PCFA this year by donating half the annual fee (\$20) from each Low Rate Blue Credit Card.

During Prostate Cancer Awareness month in September, we supported PCFA with our involvement in The Long Run, where as a team we aimed to run, walk or cycle 72 kilometres to take action, raise awareness and generate funds for this worthwhile cause.

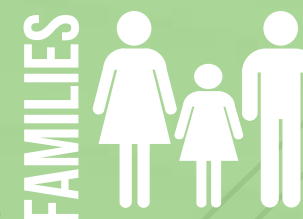
SUPPORTING
COMMUNITY
INITIATIVES

64 YEARS

\$1,369,573
DONATIONS TO THE
MCGRATH FOUNDATION



MCGRATH FOUNDATION HAS
SUPPORTED MORE THAN
123,000
RIGHT ACROSS AUSTRALIA
SINCE 2005



OUR PEOPLE

Our people are united by a single goal – helping our members achieve their financial goals by building relationships for mutual benefit.

At Community First we recognise that we are only as strong as our people, and our commitment to building a skilled team to better serve our members was reaffirmed through the financial year.

Developing relevant skills through training

Our ongoing investment in staff training and development ensures the Community First team is always able to meet the evolving needs of our members. This reflects our approach of “people helping people”, allowing us to react promptly to any challenges that may impact our members.

One such challenge is the increasing threat of financial abuse, which often targets the most vulnerable in our community. We have worked closely with the NSW Ageing and Disability Commission to develop a training program entitled Vulnerable Members and Financial Abuse. The program has now been delivered to 71 staff working within our Member Experience teams, and it has proven a worthy investment. As one participant noted, “It is a wake-up call on an extensive problem. We now have ways to recognise suspected abuse, and help our members where we can”.

Throughout the year, Community First continued to deliver our bespoke lending courses. This allows us to tailor training content to our products, while ensuring the high level of customer service that our members deserve. The training was well-received, with typical participant feedback including: “Training was super beneficial and well planned. Really informative with great Training Facilitators”.

In keeping with our goal of continuous improvement, we have also implemented a number of improvements to our lending process in response to feedback from our lending staff.

Nurturing leadership

Currently, we have a record number of employees completing a qualification in Leadership and Management. The ten staff members are aspiring leaders from across our business, who are committed to honing their leadership skills for current and future roles with Community First.

We are also proud to announce that a Community First staff member attended the 2023 NSW Training Awards as one of six finalists competing for ‘Vocational Student of the Year’. Commenting on Community First’s representative, one of the NSW Training Award judges

noted: “She was a strong candidate who stood out for her determination, drive and passion for vocational training in her industry”.

Supporting employee wellbeing

Flexible work arrangements have been offered by Community First for many years. This stood us in good stead through the pandemic, as we further adapted and evolved these arrangements to support staff.

As always, the health and wellbeing of our people is a top priority, and we continue to offer subsidised flu vaccinations to staff who are not eligible for a free vaccine.

Our Employee Assistance Program provides employees with confidential phone counselling free of charge. Employees can access the service for both personal and/or work-related issues, which may impact their wellbeing, work performance, safety, individual and workplace morale and psychological health.

Our Work Health and Safety Committee actively monitors and promptly addresses any concerns related to workplace health and safety issues. And through our internal newsletter we regularly provide articles and tools that support the general wellbeing of our people.

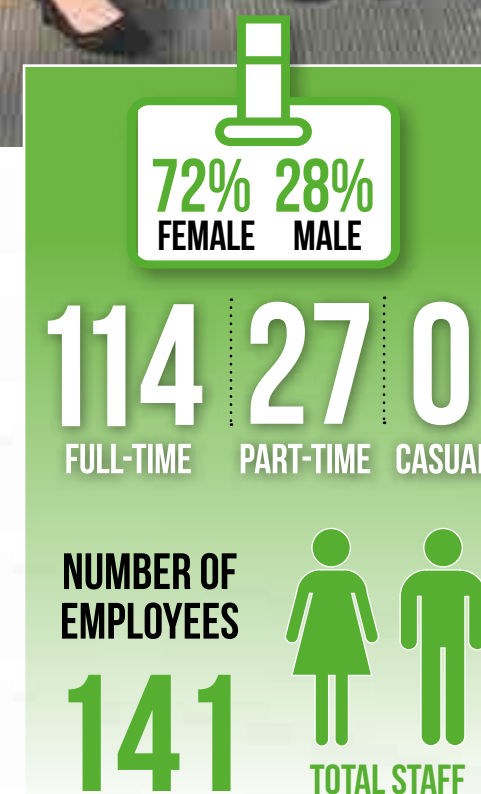
In September 2022, we participated in R U OK? Day. This encouraged all of us to take the time for an R U OK? conversation and listen with an open mind to help those around us feel supported and connected.

Building a workplace of opportunities!

Community First currently employs 114 full-time staff and 27 part-time staff. Over seven out of 10 of our employees are female, many of whom benefit from Community First’s workplace flexibility. In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), we lodged our annual public report with the Workplace Gender Equality Agency to confirm our compliance with the relevant legislation.

Once again, we celebrated a year of tremendous staff loyalty, with 23 employees recognised for achieving a combined total of 275 years of experience with Community First! We also congratulated nine staff members, who have been part of our team for 15 years or more, and a further six who have each rewarded Community First with 10 years of their loyal service.

We would like to thank all our people for their outstanding contribution to the business throughout the financial year.



Pictured are some of our staff currently enrolled in external Leadership and Management Courses supported by Community First.

From left: Anastasia Krivoshev, Samantha Jones, Jessica Seaman, Alix Eichorn and Elizabeth Fawns.

OUR ENVIRONMENT

Our commitment to the natural environment is demonstrated by our actions and our eco-friendly products.

All Australians are grappling with rising living costs, and skyrocketing energy bills are expected to put further pressure on household budgets. The energy regulator for example has flagged that from 1 July 2023, households could see electricity bills climb by as much as 25%. Small businesses could experience an increase in power costs of up to 28.9%¹.

These price pressures have reaffirmed Community First's commitment to helping our members save with affordable loans dedicated to providing savings on green cars and money-saving home improvements.

Green loans deliver valuable savings

Community First has been offering loans to fund environmentally-friendly home improvements since 2006, and they have proven tremendously popular.

Our Green Loans can be used to generate potential long term savings on household utility bills by funding the installation of eco-products such as solar panels, battery systems, rainwater tanks, double glazing and more.

We know that Australia has the highest uptake of solar panels globally, with close to one in three homes now having rooftop solar systems. This is helping these households save on power bills, with research suggesting that installing solar power can deliver savings of up to \$2,400 annually depending on the size of the system².

For members eager to reduce their eco-footprint, the appeal of installing solar panels goes beyond a reduction in power bills. The process of converting sunlight into electricity using solar systems produces zero greenhouse gas emissions. This allows home owners to rest assured that adding solar panels to their roof is also good for the environment.

Helping members make the move to EVs

Following the 2022 launch of our Green Car Loan, available for brand new hybrid or electric vehicles (EVs), we have seen supply chain pressures begin to ease. This is paving the way for more Australians to make the transition to EVs.

Reflecting this, we are helping an increased number of our members purchase a hybrid or electric car, and reap the financial rewards of long term fuel savings.

Green loans hit record high

Our portfolio of Green Loans has reached a record high of customer take-up during the financial year.

A 12% increase in funded Green Loans compared to the previous financial year indicates just how well these loans resonate with our members and their personal goals.

We attribute this increase to Community First's competitive pricing, the relationships we have fostered through our

THE APPEAL OF OUR ECO-FRIENDLY FOCUS

Community First's Green Loans can be used for a variety of environmentally sustainable purchases, including rainwater tanks, LED lighting, double glazing and more.

It can also be used to fund the costs of solar panels and battery systems to help members take advantage of potential energy savings.



referral partner network, and process improvements we have implemented to deliver efficient solutions for all parties involved.

Throughout the financial year we continued to work with our referral partner network to drive these low rate loans as a means of funding environmentally-friendly home improvements and vehicles, and we will continue to do so in the future.

¹ <https://www.aer.gov.au/news-release/aer-releases-final-determination-for-2023%E2%80%939324-default-market-offer>

² <https://www.energy.gov.au/households/solar-pv-and-batteries#:~:text=Australia%20has%20the%20highest%20uptake,have%20been%20installed%20across%20Australia.>

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement should be read in conjunction with the Directors' Report. Corporate Governance describes the practices and processes adopted by an organisation to ensure sound management of the organisation within the legal framework under which it operates.

Community First is licensed as an Authorised Deposit-taking Institution (ADI) under the *Banking Act 1959* (as amended) by the Australian Prudential Regulation Authority (APRA) who also acts as the regulator for Prudential Risk.

Since 1 November 2003, Community First has also operated under an Australian Financial Services (AFS) Licence issued by the Australian Securities and Investments Commission (ASIC) under section 913B of the *Corporations Act 2001*.

Community First is regulated by ASIC for adherence to the *Corporations Act 2001*, for the Australian Accounting Standards (AASBs), for adherence to the *National Consumer Credit Protection Act (2009)* in maintaining fair lending practices and for Financial Services Reform (FSR) requirements. The general requirements under the FSR legislation are to:

- be licensed by ASIC to carry on a financial services business;
- comply with AFS licence conditions and financial services laws;
- disclose details of Community First's products and services;
- maintain training and appropriate competency levels for all staff who deal with members; and
- provide an effective and independent complaints handling process.

Both ASIC and APRA may conduct periodic inspections of our operations and Community First reports to both annually on our compliance with their respective requirements. The external auditor also reports to both ASIC on AFS Licensee requirements and to APRA on Prudential Standards compliance.

Members

The interests of members are paramount in the operation of Community First. Our Members, as owners and shareholders, operate Community First through their approval of Community First's Constitution, the democratic election of a Board of Directors and the democratic process of General Meetings. The Board has responsibility for overseeing the management of the affairs of Community First on behalf of our Members.

Board of Directors - Role of the Board

The responsibilities of Community First's Directors arise from statute and common law. The most relevant statutes are the *Banking Act 1959* (as amended), the *Corporations Act 2001*, and the *National Consumer Credit Protection Act (2009)*.

The Board of Directors is responsible for the overall Corporate Governance of Community First. The Board has a clear view of its governance responsibilities and believes it has the necessary experience, skills and mix of people to oversee the development of the higher standards of corporate integrity and accountability required of an ethical organisation. There is a clearly accepted division of responsibilities at the head of Community First, which ensures an appropriate balance of power and authority.

The Board has delegated responsibility for the operation and administration of Community First to the Chief Executive Officer and executive management.

Responsibilities are delineated by formal delegations of authority.

Composition of the Board

The Board of Directors of Community First is currently comprised of eight Directors elected by Community First's membership. No members of the management team sit on the Board; it is composed entirely of non-executive Directors.

A minority of Directors are elected each year in rotation and serve a three-year term. There is no limit on the number of terms that a person may serve as a Director subject to their ability to meet the ongoing requirements of the role. Any Member, subject to qualifications set out in the Constitution, APRA's prudential standards and the Banking Act, is eligible to nominate as a Director.

Nominations for the position of Director, including those from elected Directors offering themselves for re-election, are part of the election process. A candidate must be nominated by two different Community First Members, be assessed by the Board Nominations Committee, meet the Fit and Proper Persons requirements of the *Banking Act 1959*, and if the number of candidates exceeds the number of vacancies, be elected by ballot under the supervision of an independent Returning Officer.

Details of the Directors who held office during the financial year are set out on page 32 to 38 of this Report.

Board Processes

The Board meets regularly and accepts responsibility for the overall governance of Community First, including the formation of strategic direction and policy, approval of plans and goals for Management and the review of performance against these goals. It has also established appropriate structures for the management of Community

First including an overall framework of internal control, risk management and the establishment of ethical standards.

The Board has approved a detailed formal policy for the ongoing training and development of Directors.

General processes for the operation of the Board have been formally documented, including:

- declaration of conflicts of interest;
- checks that are required to satisfy the 'Fit and Proper Persons' requirements of the Banking Act;
- a statement of responsibilities and duties of the Directors; and
- the division of responsibility between the Board and the Chief Executive Officer.

To increase its effectiveness, the Board has established Committees with responsibility for particular areas. The role of each Committee, together with the Terms of Reference that set out their responsibilities and duties, is documented in a Policy statement approved by the Board of Directors.

These Committees are:

- Board Corporate Governance and Remuneration Committee
- Board Audit Committee
- Board Risk Committee
- Board Nominations Committee.

CORPORATE GOVERNANCE STATEMENT

Board Composition and Review of Performance

The Board has a procedure for the assessment of its performance as a whole, the performance of individual Directors and the Chair. The assessments are conducted annually, identifying priorities for the professional development of Directors and help to improve the performance of the Board and individual Directors in the execution of their duties and responsibilities.

The Board has established a system to review the skills and experience of all Directors to ensure it retains an appropriate mix of skills within the composition of the Board.

Board Remuneration

Remuneration of Directors is determined by reference to an independent Australia-wide survey of mutual directors' remuneration. Recommendations on remuneration are submitted for consideration by Members at the Annual General Meeting. In addition to the remuneration, Directors are reimbursed for out-of-pocket expenses incurred in their role. There are no other benefits received from Community First.

The Board Corporate Governance and Remuneration Committee performs the review of the Board remuneration.

Management Remuneration

The remuneration of the Chief Executive Officer, Executive Management, key Finance and Risk managers and any staff required by the prudential standards are reviewed by the Board on an annual basis taking into account Community First's performance and current market conditions. Remuneration arrangements for other executives and staff are determined by the Chief Executive

Officer by reference to external advice, Award remuneration levels and Community First's performance.

Ethical Standards

Any interest in contracts or any other potential or actual conflict of interest is declared at each Board meeting where the Director becomes aware that a conflict has or may arise. All business conducted by Directors in the normal course of their transactions with Community First are conducted on terms and conditions that apply to any other Member. All loans to an individual Director may only be approved by a majority of the other Directors. Loans to the Chief Executive Officer are handled in a similar manner.

The Board has accepted to be bound by the Ethics and Values Principles set down by the Customer Owned Banking Association (COBA).

The Board has also agreed to be bound by the Mutual Banking Code of Practice and ePayments Code of Conduct which sets down principles by which Community First deals with its Members and keeps them informed of services available, costs and other relevant information. As part of these Codes, Community First has implemented procedures for resolving complaints with Members on transactions and refers disputes to an independent arbiter, the Australian Financial Complaints Authority (AFCA).

Fitness and Propriety

Community First undertakes an annual assessment of all Directors and Senior Management to determine their fitness and propriety for the roles they are required to fulfil. This assessment must at least meet the requirements of APRA's Prudential Standard for Fit and Proper persons, and ensures that there are no persons in a responsible position who have been disqualified from acting in such a role.

Risk Management

Community First's risk assessment process has been developed in accordance with Prudential Standards and the Corporations Act.

The process assists the Board and senior management to identify and understand significant risks faced by Community First.

Risk assessment, internal controls and internal audit play an important role in Community First's corporate governance, assurance and compliance framework.

Compliance

Community First's compliance process has been developed in accordance with Australian regulatory guidance. The process assists the Board to ensure that we remain aware of changes in legislation, codes and comply with the Prudential Standards.

Employee Wellbeing

Community First has a well established Work Health and Safety (WHS) Committee, and committee members are appointed by their peers to represent all employees in the organisation. This provides Community First with the forum to consult with staff on WHS activities and issues should they arise. Committee members are accredited in WHS consultation and their contribution to WHS is attributable to the low level of incidents in our workplace.

We value the wellbeing of our employees and have initiated new safety programs to further enhance the health and safety of employees throughout the year. This includes training for first aid, robbery safety awareness, flu precaution actions and employee assistance programs. At Community First, we recognise that a strong and positive culture is achieved

through shared values and beliefs. Importantly, attracting and retaining talented people who support our values is a key initiative of our organisation.

Community First's flexible and diverse workforce consists of 141 full time, part time and casual staff across our store network, head and regional offices and we firmly believe our staff represent the communities in which we serve.

With a workforce participation of 72% female, our workplace encourages participation at all levels. Of our leadership positions, 33% are female and we currently support over 67% staff in part time employment and flexible working options (including working from home and flexible working hours). The flexibility was introduced as a result of COVID-19 and continues with people having the capacity to work from home.

We actively seek people from all walks of life to ensure a balanced and diverse workforce and to promote a workplace environment which fosters ideas and new ways of doing things. Community First is proud to be compliant with the requirements of the *Workplace Gender Equality Act 2012*.

Board Committees

Board Corporate Governance and Remuneration Committee (CGRC)

This is a committee comprised of the Board's Chair and three other Directors and the Chief Executive Officer.

Its major activities are:

- monitoring corporate governance development and bringing to the Board's attention matters of importance and recommendations for improvement;
- reviewing the guidelines for Directors, and monitoring compliance;

CORPORATE GOVERNANCE STATEMENT

- recommending policies and guidelines for the process of disclosure of information from the Board to shareholders;
 - facilitating effective communication between the Board and Management;
 - co-ordinating Community First's strategic planning process;
 - co-ordinating the appraisal of Board skills mix, performance review and the Director education program;
 - developing Executive Management and Director succession plans; and
 - reviewing Board remuneration and recommendation to the Annual General Meeting.
- overseeing financial reporting including the integrity of financial statements and the independent audit thereof;
 - overseeing the audit process including engagement of the External and Internal Auditors for both corporate and prudential regulation purposes;
 - overseeing the coordination of the external and internal audit functions;
 - performing the role required under the Prudential Standards of participating in the tripartite arrangements between the Australian Prudential Regulation Authority (APRA), Community First and our External and Internal Auditors;
 - acting as a Committee to assist the Board in discharging the Board's responsibilities;
 - supervising special investigations requested by the Board; and
 - considering the results of assurance activities within the 3-lines of defence model contained in the prudential standard.

The members of the Committee during the year were:

Chair	Members
S. Nugent	J. Johnson
	S. Lowndes
	G. Thomson
	J. Tancevski

A sub-committee of the Committee, titled the Remuneration Committee, reviews the performance and remuneration package of the Chief Executive Officer and other selected managers as required by the prudential standards. The Chief Executive Officer is not a member of this sub-committee.

Board Audit Committee

The Board Audit Committee is established to oversee the financial affairs of Community First and its controlled entities. It also considers matters concerning the internal and external audits. Broadly, the Committee assists the Board by:

The Committee is comprised of up to four Directors, none of whom is the Chair of the Board.

The members of the Committee during the year were:

Chair	Members
K. Pickering	N. Kelly
	S. Korchinski
	R. Scopelliti

Board Risk Committee

The Board Risk Committee is established to oversee the establishment, implementation, and annual review of Community First and its controlled entities Risk Management System. The focus of the Board Risk Committee is to monitor the organisations Risk

Management Framework and provide oversight of the enterprise wide risk management systems. This includes the evaluation of the effectiveness of internal controls and policies.

Broadly, the Committee assists the Board of Directors to effectively discharge its responsibilities within the context of the Board determined risk appetite, and consider the treatment of material risk by:

- overseeing the risk management strategy and framework of Community First;
- making recommendations to the Board concerning the risk appetite statement and tolerance limits
- monitoring risk management practices;
- reviewing management's plans for mitigation of material risks;
- promotion of a risk based culture;
- achieving a balance of risk and reward;
- monitoring Community First's compliance with relevant Board policies, prudential and statutory requirements;
- acting as a Committee to assist the Board in discharging the Board's responsibilities;
- supervising special investigations requested by the Board;
- monitoring the three year rolling business plan for consideration in strategy discussions and annual budgets;
- overseeing the annual risk management attestation for the regulator; and
- considering the results of assurance activities within the three lines of defence model contained in the prudential standard.

The Board Audit Committee also undertakes an annual review of the performance of the internal auditors and external auditors whilst the Board Risk Committee reviews

the performance of the Risk Management section to identify any opportunities for improved performance and more effective oversight.

The Board Risk Committee is comprised of up to four Directors, none of whom is the Chair of the Board.

The members of the Committee during the year were:

Chair	Members
K. Pickering	N. Kelly
	S. Korchinski
	R. Scopelliti

Board Nominations Committee

This Committee comprises one external independent Chair, one member of Community First and one Director. The Director representative cannot be a person standing for election or be a person nominating or seconding a person for election.

The role of this Committee is to review checks relative to 'Fit and Proper' tests and to interview persons who have been nominated for election as a Director, to establish the suitability and qualifications of the person.

The Committee then expresses an opinion in the material accompanying ballot papers as to whether the Committee considers the nominee has demonstrated his/her ability to meet the requirements to be a Director of Community First.

The members of the Committee during the year were:

Chair	Members
P. Russell	S. Nugent

DIRECTORS' REPORT

The Directors present their report together with the financial report of Community First Credit Union Limited ("Community First"), and of the Consolidated Entity, being Community First and its controlled entities, for the financial year ended 30 June 2023 and the auditor's report thereon.

Directors

The Directors of Community First at any time during or since the end of the financial year are:



STEPHEN NUGENT

Member and owner since 2002
B Bus. (Marketing), Grad Cert Internet Mkt., AFAMI, AMP (Harvard)

Graduate of the Australian Institute of Company Directors

Chair of Directors

Chair of Corporate Governance

Mr Nugent joined the Board as a Director in May 2002. Stephen has more than 35 years experience in the banking, finance and insurance industries and was formerly the Chief Customer Officer for The Hospital Contributions Fund of Australia Limited (HCF). Stephen is also a Director of the Customer Owned Banking Association and the Sydney Children's Hospitals Network.

Stephen brings to the Board a wide range of experience in project and operations management, process improvement and reform programs focused on digital transformation, sales, marketing, customer service, financial and property management, retirement and aged care, strategic planning and compliance.



JACKI JOHNSON

Member and owner since 2005
BAppSc (OT), EMBA (AGSM), GradDip Safety Science, FAICD

Member of Corporate Governance and Remuneration Committee

Ms Johnson is currently enrolled as a PhD candidate at University of Wollongong researching the role Board of Directors play in creating societal value.

In September 2022 Jacki was appointed as City Commissioner – Illawarra-Shoalhaven Greater Cities Commission NSW Government. Jacki is also the Managing Director of her own consulting practice, Focusing Moments Pty Ltd, primarily consulting in strategy.

Jacki has recently been appointed to the faculty of the University of Cambridge Institute for Sustainable Leadership, Australian Business Programme. She is also a member of Chief Executive Women and a Fellow of the Institute of Company Directors.

Former roles include CEO IAG NZ, CEO The Buzz Insurance (IAG), Group Executive People, Performance and Reputation (IAG) Co Chair United Nations Environment Financial Initiative, Co Chair Australia Sustainable Finance Initiative and Steerco member Resilient Sydney, President of the Insurance Council of New Zealand, Chair of the Christchurch Recovery Chief Executives' meeting, and Executive Director IAG NZ.

Jacki has been publicly recognised for her leadership. In 2022 Jacki has been awarded the Lifetime Achievement Award by the Australian and New Zealand Institute of Insurance and Finance and in 2015 the NZ Herald in December named her as NZ Executive of the Year. She is a former Non Executive Director of the New South Wales WorkCover Authority and the Personal Injury Education Foundation.



NURIA KELLY

Member and owner since 1989
Assoc Dip Accounting, Cert Financial Markets (SIA), Dip Law, Solicitor & Barristers Admission Board, MAMI

Member of Board Audit and Board Risk Committees

Ms Kelly joined the Board as an Associate Director in May 2002 and was elected to the Board in 2003.

Nuria has more than 20 years experience in financial planning and management, with qualifications from the Securities Institute of Australia and an Associate Diploma in Accounting and a Diploma of Law. Nuria has retired as principal of a Financial Planning and Stockbroking Practice with Bridges Financial Services (IOOF) and brings to the Board her experience of working closely with Community First Members through her financial planning and stockbroking role. Nuria was also previously Head of Financial Services Sydney with RSM Australia (RSM Bird Cameron).

Recently she has been working as a Governance and Risk Management Consultant, assignments have included senior manager executive positions such as Head of Legal and Compliance for financial services firms. She is a Fellow of the Governance Institute of Australia and a member of the Institute of Public Accountants.

Ms Kelly was also a Director of Foot of the Mountains Pty Ltd which owned retail businesses in the Blue Mountains up to December 2019.



STUART KORCHINSKI

Member and owner since 2004
B. Comm (Honours), CPA, CA, MAMI

Member of Board Audit and Board Risk Committees

Mr Korchinski was appointed to the Board in June 2004 to fill a casual vacancy. Stuart has spent the last 33 years in the accounting profession and the general insurance, superannuation, wealth management and related technology industries in a variety of leadership roles. He is a Chartered Accountant and former Managing Director of SuperChoice Services, ASX-listed Diversa Limited, CitiStreet Australia, Telstra's KAZ Business Services, Australian Administration Services and Chief General Manager of Allianz's personal insurance business.

He is also a former non-executive director of Enhanced Payment Technologies, Thai Administration Services Co. Ltd and financial advice company, Money Solutions.

Stuart is currently an adviser to SS&C Technologies Holdings, Inc., a global provider of software and services to the funds management, retirement and healthcare industries, Chairman of Global Edge Network Limited and a director of Wayward Brewing Co.

DIRECTORS' REPORT



STEPHEN LOWNDES

Member and owner since 1999

B. Rur. Sc. (Hons)
UNE, MAMI

**Member of Corporate Governance
and Remuneration Committee**

Mr Lowndes was appointed to a casual vacancy on the Board in March 2001 and elected as Chair from July 2008 to November 2015. Stephen has 30 years experience in data analysis, systems development, policy formulation, strategic planning, executive management and industry representation, gained in the Commonwealth Public Service, Private Health Insurance, Aged Care and Health industries. Stephen has served on the Boards of the Australian Friendly Society Association, the Australian Health Services Alliance, the Australian Health Insurance Association, Health Services Association of NSW and a number of not-for-profit community services organisations.

Stephen was formerly a member of the Management Board of Manchester Unity Credit Union, Chief Executive of Manchester Unity Australia Ltd, CEO of the Aged and Community Services Association of NSW and ACT, a peak industry association representing not-for-profit aged care providers and Chief Executive Officer of the Royal Rehab, a not-for-profit specialist rehabilitation and disability hospital. He is currently the CEO of the Family of League Foundation.



KENNETH PICKERING

Member and owner since 1968

Dip Fin Serv, Ass. Dip. Bus. Mgt.,
FAICD Dip, AARPI, FAMI.

**Chair of Board Audit
and Board Risk Committees**

Mr Pickering has been a Director since 1972 serving as Chair between 1984 and 1992 and Vice Chair between 1992 and 2009. Ken has had a close affinity with the broader Credit Union movement through his service on CUSCAL's National Membership Council between 1990 and 2000, as CEO Australasian Institute of Credit Union Directors between 1995 and 2005 and Executive Manager Professional Development for Australasian Mutuals Institute between 2006 and 2015.

Prior to this, Ken had 25 years' experience at Sydney Water, including a number of executive management positions relating to the change management program between 1983-93. Between 1993 and 2018 he was engaged in the provision of business management and consultancy services in both the customer owned banking industry and small business along with some property development projects.

Between December 2014 and July 2018 Ken served as Learning & Development Consultant for the Institute of Strategic Management and on the Advisory Board for that Institute. He is currently a Director/Trustee of a self-managed superannuation fund and Chair/Secretary Body Corporate Committee for a 60 Unit Residential & Holiday Letting Resort.

He is a Graduate of the Diploma Course, has been a Fellow of the Australian Institute of Company Directors for 29 years and in 2016 was admitted as an Associate of the Australian Risk Policy Institute.



ROCKY SCOPELLITI

Member and owner since 2013

Grad. Dip. Corp. Man,
MBA, GAICD, MAMI

**Member of Board Audit
and Board Risk Committees**

Mr Scopelliti joined the Board as a Non-Executive Director in March 2013. Rocky is the Chief Scientist – Federal Government at Optus where he leads the creation of world class thought-leadership and innovation to advise enterprises on the Fourth Industrial Revolution. He is also an Adjunct Professor at UTS, member of the REST Super Technology Advisory Panel and former member of the Australian Payments Council.

A distinguished Futurologist, author and international keynote speaker, Rocky has contributed to the World Economic Forum's Disruptive Innovation in Financial Services Program, delivered keynote addresses at events such as Mobile World Congress and published sixteen thought leadership research reports and books on digital disruption that have become internationally recognised.

Rocky has more than twenty years senior management experience in the information technology and financial services sectors with Telstra Corporation and the Commonwealth Bank of Australia covering product development, strategy, business development, marketing and research.

Educated in Australia and trained in the United States, at Sydney University and Stanford University, Rocky has a Graduate Diploma in Corporate Management and a Master's in Business Administration. He is also Graduate and member of the Australian Institute of Company Directors.



GARY THOMSON

Member and owner since 1979

Grad. Dip. LG. Man,
Dip. Govt., MPIA.

**Member of Corporate Governance
and Remuneration Committee**

Mr Thomson joined the Board of Community First Credit Union as a Non-Executive Director in December 2016. He was previously a Director and Chair of Manly Warringah Credit Union Ltd since 2006.

Gary has a broad range of experience in strategic planning, risk management, executive management and governmental relations.

Gary semi-retired in July 2018 but was previously employed as a Project Director at Singleton Council from 2017 to 2018. From 2010 to June 2017 he was Assistant General Manager at Singleton Council following 3 years working as a consultant in the areas of town planning and business reorganisation particularly related to waste management. Prior to this he worked for Warringah Council for 28 years where his final role was as Director of Customer and Community Services.

He has extensive Board experience having previously been a member of the Glen Street Theatre Board of Directors and Hunter Resource Recovery Board of Directors. He is currently a Director of Balmain Rugby League Football Club and Balmain District Junior Rugby League Club. He is the owner of Thomson Planning and Project Management providing executive advice to private and public enterprises.

DIRECTORS' REPORT

Directors' Meetings

The number of Directors' Meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of Community First during the financial year are outlined in the table below:

Name	Status	Board Meetings		Corporate Governance & Remuneration Committee Meetings		Board Audit Committee Meetings		Board Risk Committee Meetings		Board Planning Meetings	
		a	b	a	b	a	b	a	b	a	b
Mr Stephen Nugent	Non-Executive	8	8	4	4	-	-	-	-	1	1
Ms Jacki Johnson	Non-Executive	8	8	4	4	-	-	-	-	1	1
Ms Nuria Kelly	Non-Executive	8	8	-	-	4	4	4	4	1	1
Mr Stuart Korchinski	Non-Executive	6	8	-	-	3	4	3	4	1	1
Mr Stephen Lowndes	Non-Executive	7	8	4	4	-	-	-	-	1	1
Mr Kenneth Pickering	Non-Executive	8	8	-	-	4	4	4	4	1	1
Mr Rocky Scopelliti	Non-Executive	8	8	-	-	4	4	4	4	1	1
Mr Gary Thomson	Non-Executive	7	8	4	4	-	-	-	-	1	1

The Nominations Committee held one meeting during the financial year. The meeting was attended by Peter Russell and Stephen Nugent.

a – Number of meetings attended.

b – Number of meetings that the Director was eligible to attend. Leave of absence was granted for meetings unable to be attended

Directors' Interests

Each Director holds one redeemable preference share (Member share) in Community First held in their capacity as a Member.

Financial accommodation to Directors complies with the Corporations Act and was made on terms and conditions available to all Members generally. Details are set out in the Notes to the Financial Statements in accordance with applicable Accounting Standards. During and since the end of the year under review, no Director has received, or become entitled to receive, a benefit except a benefit of the type included in the aggregate amount of Directors' remuneration shown in the Notes to the Financial Statements.

Principal Activities

The principal activities of Community First during the year were the provision of retail financial accommodation and associated services to Members.

There were no significant changes in these principal activities during the year.

Operating Results

The net profit after income tax for the financial year ended 30 June 2023 was \$4.009m (2022: \$2.704m). The net interest income increased by \$3.5m with the net interest margin increased 21 basis points to 2.18% from the previous year. Non-interest income decreased by \$795k with loan and advances impairment losses increased by \$44k. The total operating expenses increased by \$523k.

Review of Operations

Total assets on balance sheet as at year end were \$1.312bn representing an increase of \$24.3m from the previous year. The loans portfolio increased by \$24.5m or 2.4%. Total deposits grew by \$41.5m for the year.

Dividends and Franking Credits

Community First's Constitution is based on the principles of mutuality. No member share is entitled to receive dividends.

State of Affairs

The current environment is dominated by global

uncertainty, domestic markets that included raising inflation and rising interest rates from record low monetary policy and significant levels of ongoing volatility. However, in that unusual environment, Community First experienced significantly increased lending demand and volumes that resulted in increasing loans pipeline for a strong first quarter funding in 2023/24.

Community First will now focus on the execution of its organic strategic plan following the termination of the MOU to merge with Australian Mutual Bank.

At the preliminary exploration stage, a decision was made not to proceed with the merger. The two organisations were unable to reach a mutually agreeable arrangement that aligned with the objectives and aspirations of both parties. Such an outcome is not uncommon during discussions for mergers.

Community First's current strategic plan contains two themes of Budget Profitability and Controlled Growth. The term 'controlled growth' is designed to accentuate the importance of managing any growth aspirations against the amount (and availability) of capital employed by the institution in pursuit of its goals and that if any conflict between the themes of 'controlled growth' and improved or 'budget profitability' occurs, then the theme of 'budget profitability' should be prioritised as it creates capital for future growth.

Accordingly, the very high loan growth rates required moderation to optimise capital levels but also highlighted future opportunities that should be pursued by Community First.

Environmental Regulation

Community First's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board believes that Community First has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the organisation.

However, Community First is committed to helping create better and more sustainable communities, and has launched a number of products to promote environmentally sustainable initiatives by consumers through the use of low interest "Green" personal loans.

Events Subsequent to Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report, any item,

transaction or event of a material and unusual nature likely, in the opinion of the Directors of Community First, to affect significantly the operations of Community First, the results of those operations, or the state of affairs of Community First, in future financial years.

Likely Developments

Community First will continue to pursue its mission of helping Members to achieve their financial goals by building relationships for mutual benefit. It will also strive to seek growth in all areas of the operation.

Indemnification and Insurance of Officers and Auditors

During the year, a premium was paid in respect of a contract insuring Directors and Officers of Community First against all liabilities to other persons (other than Community First or a related body corporate) that may arise from their positions as Directors and Officers of Community First except where the liability arises out of conduct involving a lack of good faith. The Officers of Community First covered by the insurance contract include the Directors, Executive Officers, Company Secretaries and other relevant employees.

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

No insurance cover has been provided for the benefit of the auditors of Community First.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 93 and forms part of the directors' report for the financial year ended 30 June 2023.

Rounding

The amounts contained in the financial statements have been rounded to the nearest thousand in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Community First is permitted to round to the nearest thousand (\$'000) for all amounts except prescribed disclosures that are shown in whole dollars or otherwise stated amount.

DIRECTORS' REPORT

Acknowledgments

On behalf of the Directors, please allow us to thank everyone who has contributed to our success this year: our Members, staff, representatives and business partners.

Dated at Sydney, NSW this 15th day of September 2023

Signed in accordance with a resolution of the Directors:

*Signed in accordance with
a resolution of the Directors:*



Mr Stephen Nugent
Chair



Mr Kenneth Pickering
Chair of the Board
Audit and Risk Committees

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

		2023 \$'000	2022 \$'000
	Note	Consolidated and Community First	
Interest income	5	44,300	28,000
Interest expense	5	(15,992)	(3,247)
Net interest income	5	28,308	24,753
Non-interest income	6	5,406	6,201
Impairment losses on loans and advances	7	(437)	(393)
Other expenses	8	(28,103)	(27,581)
Profit before income tax		5,174	2,980
Income tax expense	9	(1,165)	(276)
Profit for the year		4,009	2,704
Other comprehensive income			
Unrealised revaluations net of tax:			
Financial assets at FVOCI gains/(losses) during the year		(1,538)	727
Revaluation of property, plant and equipment		-	2,715
Total amount recognised directly in equity		(1,538)	3,442
Total comprehensive income for the year		2,471	6,146
Attributable to :			
Members of Community First		2,471	6,146

The Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements commencing on page 43.

STATEMENTS OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Note	Redeemed Preference Share Capital \$'000	Retained Earnings \$'000	Business Combination Reserve \$'000	Credit Loss Reserve \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Consolidated and Community First							
Opening balance at 30 June 2021		481	75,951	12,002	2,452	7,489	98,375
Total comprehensive income for the year							
Profit for the year		-	2,704	-	-	-	2,704
Other comprehensive income							
Financial assets at FVOCI	27	-	-	-	-	727	727
Revaluation of property, plant and equipment	17	-	-	-	-	2,715	2,715
Transfer of share redemption		9	(9)	-	-	-	-
Closing balance at 30 June 2022		490	78,646	12,002	2,452	10,931	104,521
Opening balance at 01 July 2022		490	78,646	12,002	2,452	10,931	104,521
Total comprehensive income for the year							
Profit for the year		-	4,009	-	-	-	4,009
Other comprehensive income							
Financial assets at FVOCI	27	-	-	-	-	(1,538)	(1,538)
Revaluation of property, plant and equipment	17	-	-	-	-	-	-
Transfer of share redemption		8	(8)	-	-	-	-
Closing balance at 30 June 2023		498	82,647	12,002	2,452	9,393	106,992

The Statements of Changes in Members' Equity should be read in conjunction with the Notes to the Financial Statements commencing on page 43.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	2023 \$'000	2022 \$'000
Consolidated and Community First			
ASSETS			
Cash assets	10	21,398	14,354
Receivables due from other financial institutions	11	218,100	223,169
Loans and advances	12	1,039,990	1,016,062
Financial assets at FVOCI	14	8,812	11,009
Intangible assets	15	763	129
Accrued receivables	16	3,423	3,443
Property, plant and equipment	17	18,227	18,305
Right of use assets	18	1,066	1,053
Total Assets		1,311,779	1,287,524
LIABILITIES			
Deposits	19	1,172,524	1,131,002
Payables	20	7,531	3,585
Lease Liabilities	21	1,144	1,158
Interest Bearing Liabilities	22	16,917	40,917
Income tax provisions	24	464	-
Net deferred tax liability	24	2,182	2,724
Provisions	25	4,025	3,617
Total Liabilities		1,204,787	1,183,003
Net Assets		106,992	104,521
MEMBERS' EQUITY			
Redeemable preference share capital account	26	498	490
Reserves	27	23,847	25,385
Retained earnings	28	82,647	78,646
Total Members' Equity		106,992	104,521

The Statements of Financial Position should be read in conjunction with the Notes to the Financial Statements commencing on page 43.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$'000	2022 \$'000
Consolidated and Community First			
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		43,377	27,731
Dividends received		406	1,589
Non-interest income received		4,941	4,615
Interest paid		(9,899)	(5,367)
Payments to suppliers and employees ^a		(27,452)	(24,387)
Income tax paid		(581)	(554)
Net increase in deposits		41,521	52,108
Net (increase) in members' loans		(24,365)	(47,422)
Net cash provided by operating activities	29 (b)	27,948	8,313
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		57	-
Net decrease/(increase) in investments		5,069	(5,247)
Purchase of property, plant and equipment		(433)	(381)
Purchase of Intangible Assets		(802)	(113)
Net cash provided/(used) in investing activities		3,891	(5,741)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities ^b		(795)	(770)
Repayments of borrowings		(24,000)	-
Net cash used in financing activities		(24,795)	(770)
Net increase in cash held		7,044	1,802
Cash at beginning of the financial year		14,354	12,552
Cash at the end of the financial year	29 (a)	21,398	14,354

The Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements commencing on page 43.

^a The Consolidated Entity has classified the interest portion of lease payments to operating cash flow.

^b The Consolidated Entity has classified the principal portion of lease payments within financing activities and the interest portion within operating activities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1	Reporting Entity	23	Standby and Used Borrowing Facilities
2	Basis of Preparation	24	Income Tax Provision/ Net Deferred Tax Liability
3	Statement of Significant Accounting Policies	25	Provisions
4	Financial Risk Management	26	Redeemed Preference Share Capital Account
5	Interest Income and Interest Expense	27	Reserves
6	Non Interest Income	28	Retained Earnings
7	Impairment Losses on Loans and Advances	29	Notes to and forming part of the Statements of Cash Flows
8	Other Expenses	30	Financial Instruments Disclosure
9	Income Tax Expense	31	Commitments
10	Cash Assets	32	Contingencies
11	Receivables Due From Other Financial Institutions	33	Consolidated Entities
12	Loans and Advances	34	Key Management Personnel Disclosures
13	Impairment of Loans and Advances	35	Related Party Transactions
14	Financial Assets at FVOCI	36	Economic Dependency
15	Intangible Assets	37	Employee Benefits
16	Accrued Receivables	38	Securitisation
17	Property, Plant and Equipment	39	Receivables Acquisition and Servicing Agreement
18	Right of use assets	40	Parent Entity Disclosures
19	Deposits	41	Events Subsequent to Reporting Date
20	Payables		
21	Lease liabilities		
22	Interest Bearing liabilities		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Community First Credit Union Limited ('Community First') is a company domiciled in Australia. The financial statements for the year ended 30 June 2023 comprise Community First and its controlled entities (together referred to as the "Consolidated Entity"). The address of Community First's registered office is Level 2, 67-73 St Hilliers Road, Auburn. Community First is a for-profit entity and primarily involved in the provision of financial products, services and associated activities to Members.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements of the Consolidated Entity and Community First comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the Board of Directors on 15 September 2023.

The accounting policies set out below, other than those described in Note 3.2, have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Consolidated Entity and Community First.

(b) Basis of Measurement

The financial statements of the Consolidated Entity and Community First have been prepared on a historical cost basis except for the following items: financial assets at FVOCI (Note 14), and land and buildings as indicated in (Note 17). Loans and advances, receivables due from other financial institutions and financial liabilities are carried at amortised cost.

(c) Use of Estimates and Judgments

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions based on experience and other factors, including expectation of future events that affect the application of accounting policies and 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 3** – Measurement of expected credit losses (ECL)
- **Note 4** – Financial Risk Management - Credit Risk of financial assets
- **Note 13** – Impairment of Loans and Advances
- **Note 14** – Financial assets at FVOCI
- **Note 17** – Property, Plant & Equipment
- **Note 32** – Contingent Liabilities

Ongoing and emerging risks continue to impact key estimates and judgements

The current environment remains uncertain and volatile with ongoing and emerging risks to economic stability.

Key risks and uncertainty of economic path are ongoing and emerging from an unprecedented and challenging environment with geopolitical tensions, high inflation and rising interest rates from record low monetary policy.

The expectation of uncertainty is associated with

- The impacts from the world economy softening and the increasing likelihood that some Western economies will get tipped into a shallow recession.
- The expected slowing in the domestic economy is anticipated to push Australia into stagnation with a flow on impact to key economic factors such as GDP, unemployment and house prices.
- Situation of falling productivity and rising wages.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

There is a considerable degree of judgement required in preparing forecasts. The underlying assumptions are also subject to uncertainties and beyond the control of individual entities. The actual economic outcomes are likely to differ from the forecast as the anticipated events and interaction will not always occur as expected. The effect of these differences may significantly impact accounting estimates included in the financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominately related to the measurement of expected credit losses, fair value measurement of financial assets and recoverable amount assessments of assets.

The impact of ongoing and emerging risks to economic stability are further discussed in the relevant note below. The reader should carefully consider the financial statements with regards to the inherent uncertainty highlighted above.

(d) Rounding and Presentation Currency

The Consolidated Entity and Community First have applied the relief available to it under *ASIC corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191* and accordingly, amounts in the financial statements and directors' report are presented in Australian dollars and all values are rounded off to the nearest A\$1,000, or in certain cases, the nearest Australian dollar or otherwise stated amount.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Entity and Community First have consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Significant accounting policies

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by Community First. Community First controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. The consolidated financial statements include those of Community First and a Special Purpose Entity (the easystreet Trust No. 1 securitisation trust) which relates to the issuance of residential mortgaged-backed securities (RMBS). RMBS are issued by the securitisation trust and held by Community First for entering into a potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trust is consolidated, as Community First has the power to govern the financial and operating policies so as to obtain benefits from its activities. Since Community First has not transferred all the risks and rewards to the special purpose entity, the assigned loans are retained on the books of Community First and are not de-recognised.

The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Consolidated Statement of Profit or loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

Community First has elected to present both Community First as an individual entity and as a consolidated entity on the basis that the impact of consolidation is not material to the entity. This applies to all other information unless otherwise stated. Refer to Note 33 and parent entity information in Note 40.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(b) **Income and Expense Recognition**

Revenues

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the Australian Tax Office (ATO).

Sale of Non-current Assets

Revenue from the disposal of assets is recognised when title passes from the Consolidated Entity to the purchaser. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Dividends

Dividend income is recognised on the date the Consolidated Entity's right to receive payment is established.

Interest Income

Interest income is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, where appropriate, a shorter period) to the carrying amount of the financial asset. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instruments. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the asset. If the asset is no longer impaired, then the calculation of interest income reverts to the gross basis.

Retail banking Fees

Retail banking fees charged for provided ongoing services are recognised as performance obligations are satisfied.

Loan Origination Fees

Fee income earned or expenses incurred which are associated with the origination of loans and advances are deferred and are recognised as and when the service is provided. This is typically over the life of the loan and form part of the amortised cost of the asset and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

Rental Income

Rental income from operating leases is recognised on a straight line basis over the term of the lease.

Other Revenue

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

Other fee and commissions include wealth management commissions, insurance commissions, ATM fees, card fees and transaction fees.

Interest Expense

Interest expense is recognised in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability. When calculating the effective interest rate, the Consolidated Entity estimates future cash flows considering all contractual terms of the financial instruments.

Transaction Costs

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Tax Accounting Policy

Income Taxes

Income tax expense on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity, or in other comprehensive income.

The Consolidated Entity has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore they are accounted for under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

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 not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Consolidated Entity is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Consolidated Entity. 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; such reductions are reversed when the probability of future taxable profits improves.

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of property measured at fair value is presumed to be recovered through sale, and the Consolidated Entity has not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.2 New accounting standards and interpretations

(a) AASB 137 Onerous Contracts – Cost of Fulfilling a Contract

Effective for annual reporting periods beginning on or after 1 January 2022.

The amendments clarify that the 'costs of fulfilling a contract' comprise both:

- The incremental costs – e.g. direct labour and materials; and;
- an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.

(b) AASB 116 Amendments to Property, Plant & Equipment: Proceeds before Intended Use

Effective for annual reporting periods beginning on or after 1 January 2022.

The amendments clarifies how to distinguish between a change in accounting policy and a change in accounting estimate.

(c) AASB 2020-8 and AASB 2020-9 Interest Rate Benchmark Reform- Phase 2

AASB 2020-8 amends AASB 9, AASB 7, AASB 4 AASB 16 and AASB 139 to introduce practical expedients in relation to modification of financial contracts and/or leases if a change results directly from IBOR reform.

AASB 2020-9 amends AASB 1060 to relieve entities from disclosing the financial effects of changing accounting policies in response to interest benchmark reform, and other editorial corrections.

These amendments do not have significant impact on these Financial Statements and therefore the disclosures have not been made.

(d) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2023. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and interpretations most relevant, are set out below.

i. AASB 2019-1 Amendments to AASs References to Conceptual Framework

The AASB Framework provides the AASB with a base of consistent concepts upon which future accounting standards will be developed. The AASB Framework assist financial report preparers to develop consistent accounting policies when there is no specific or similar standard that addresses an issue.

The AASB Framework includes amendments to the definition and recognition criteria for assets, liabilities, income and expenses, guidance on measurement and derecognition, and other relevant financial reporting concepts.

ii. AASB 2021-2 Amendments to Definition of Accounting estimates

Provides a definition of and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies.

iii. AASB 2020-1 Amendments to Classification of Liabilities as Current or Non-Current

Requires a liability to be classified as current when companies do not have a substantial right to defer settlement at the end of the reporting period.

iv. AASB 2021-5 Deferred tax related to assets and liabilities from a single transaction

Clarifies the accounting for deferred tax on transactions that, at the time of the transaction, give rise to equal taxable and deductible temporary differences.

These amendments are not expected to have significant impact on these Financial Statements and therefore the disclosures have not been made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.3 Other Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash equivalents for the purpose of the Statement of Cash Flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(b) Financial instruments

AASB 9 sets out requirements for recognising and measuring financial assets and financial liabilities and some contracts to buy or sell non-financial items.

Recognition and derecognition of financial instruments

The Consolidated Entity recognises a financial asset or liability in its statement of financial position when the Consolidated Entity becomes a party to the contractual provision of the instrument. For loans, advances and deposits this is usually on the date on which they are originated. All other financial instruments are recognised on the trade date which the entity becomes a party to the contractual provisions of the instrument.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Consolidated Entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets

General classification framework and initial measurement

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). AASB 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

Community First classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income (OCI);
- fair value through profit and loss FVTPL; and
- those to be measured at amortised cost.

At initial recognition, the Consolidated Entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed on the income statement.

The classification is dependent upon the Consolidated Entity's business model for managing the financial assets and the contractual terms of the cash flows at initial recognition.

Business Models

Business models are classified as either: hold to collect, hold to sell or other depending on how a portfolio of financial instruments as a whole is managed. The Consolidated Entity business models are based on the existing management structure of Community First, and refined based on an analysis of specific portfolio risks and on historic and expected future sales.

Sales are permissible in a hold to collect business model when these are due to an increase in credit risk, take place close to the maturity date, are insignificant in value (both individually and in aggregate) or are infrequent.

Community First makes an assessment of the objectives of a business model in which an 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, 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 the assets;
- How the performance of the portfolio is evaluated and reported to the Consolidated Entity's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its 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 Consolidated Entity's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL as they do not meet the criteria for amortised cost or FVOCI. Community First does not currently hold financial assets for trading purposes and therefore does not currently measure any securities at FVTPL.

Contractual cash flow characteristics

The contractual cash flows of a financial asset are assessed to determine whether the instrument gives rise to cash flows that are solely payments of principal and interest (SPPI). Principal is defined as the fair value of the financial asset at initial recognition. Interest includes consideration for time value of money, credit risk and also consideration for liquidity risk and cost associated with holding the financial assets for a particular period of time. In addition interest can include a profit margin that is consistent with a basic lending agreement.

In assessing whether the contractual cash flows are SPPI, the Consolidated Entity considers the contractual terms of the instruments. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Consolidated Entity considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Consolidated Entity's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

There are currently two measurement categories into which Community First currently classifies its debt and equity instruments

- **Amortised cost** – Instruments that are held for collection of contractual cash flows under a hold to collect business model where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement. Impairment losses are presented as a separate line item in the income statement. Assets due from other financial institutions are carried at amortised cost.
- **FVOCI** - On initial recognition of an equity investment that is not held for trading the entity may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment by investment basis. Once this election is made the gains and losses cannot subsequently be recycled through profit and loss once the investment is sold.

The Consolidated Entity reclassifies debt investments when, and only when, its business model for managing those asset changes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Financial Liabilities

Financial liabilities are classified and subsequently measured at amortised cost unless the Consolidated Entity is required to measure its liabilities at FVTPL

(c) Impairment

Impairment of financial assets

AASB 9 'expected credit loss' (ECL) model is applied to on-balance sheet financial assets accounted for at amortised cost such as loans and advances and lease receivables as well as some off balance sheet items such as undrawn loan commitments and undrawn committed revolving credit facilities. Under the ECL model the Consolidated Entity estimates the allowance for credit losses (loan loss provision) by considering on a discounted basis the cash shortfalls possibly incurred in default scenarios for prescribed future periods against the probability of occurrence. The loan loss provision (LLP) is the sum of these weighted outcomes. The LLP is estimated using unbiased and supportable information about past events, current conditions and forecasts of future economic conditions. Community First uses a general approach to ECL models for loans and a simplified approach for lease receivables and receivables from other institutions.

An ECL assessment is also undertaken over receivables from other financial institutions using an external rating investment grades based approach. The ECL as at 30 June 2023 was immaterial on these investments.

General - three stage approach for Loans and Advances

Financial assets are classified in any of the three stages at a monthly reporting date. Financial assets can move between stages during their lifetime. The stages are based on changes in credit quality since initial recognition and defined as follows:

• Stage 1: 12 month ECL

Financial assets that have not had a significant increase in credit risk since initial recognition. Assets are classified as stage 1 upon initial recognition and a provision of ECL associated with the probability of default events occurring within the next 12 months

• Stage 2: Lifetime ECL not credit impaired

Financial assets showing a significant increase in credit risk since initial recognition. A provision is made for the life time ECL representing losses over the life of the financial instrument (lifetime ECL); or

• Stage 3: Lifetime ECL credit impaired

Financial instruments that move into Stage 3 once credit impaired require a life time provision.

Significant increase in credit risk

A financial asset moves from Stage 1 to Stage 2 when there is indication of a significant increase in credit risk since initial recognition. The credit risk framework incorporates qualitative and quantitative information to identify significant increase in credit risk which will trigger movement between the stages on an individual and/or collective basis. The Consolidated Entity assesses for significant increases in credit risk using:

- Lifetime probability of default of portfolio segment;
- Watch list status;
- Arrears; and
- More than 30 days past due backstop for Stage 1 and Stage 2 transfers.

Macroeconomic scenarios

The Consolidated Entity has established a process to apply the consensus forecast for economic variables such as unemployment rates, GDP growth, house prices and official cash rate to the ECL calculation. The model allows adjustment of the weighting between three scenarios to produce an unbiased result of: the baseline scenario and alternative, up and down scenarios. The scenario settings allow for forward looking adjustments according with regard to key economic indicators, market forecasts, applied judgement and executive management outlook. Senior management regularly review and monitor prescribed targets of acceptable ranges of key economic factors and apply judgement. Refer to section below – Ongoing and emerging risks to economic stability and path impact on key estimates and judgements for specific information relating to the current environment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Measurement of ECL

The Consolidated Entity uses an internal expected credit loss model utilising past experience of credit deterioration, incurred losses, objective evidence and forward looking estimates and judgements to calculate an estimate of expected credit loss. The models estimate the: expected probability of default (PD), loss given default (LGD) and exposure at default (EAD) used for ECL to provide forward looking point in time estimates based on macroeconomic prediction and a 12 month or life time view of credit risk.

The Consolidated Entity model applies the PD X EAD X LGD approach incorporating the time value of money to measure ECL. A forward looking approach on a 12 month horizon is applied for Stage 1 assets. The expected loss is the discounted sum of the 12 month expected credit losses. For stage 2 assets a lifetime view on the credit is applied. The lifetime expected loss is the discounted sum of the portion of lifetime losses related to default events within the window of the expected lifetime of each portfolio. For stage 3 assets the PD equals 100 percent and LGD and EAD represent the lifetime view of the losses based on characteristics of defaulted facilities.

^a The Consolidated Entity calculates the expected lifetime of each loan portfolio based on the current lifecycle (of monthly periods) currently estimated as per the table below:

Lifecycle of key loan portfolios	Periods
Personal Loans	22.30
Overdrafts / overdrawn savings	36.00
Credit Cards	15.18
Home Loans	50.33
Commercial Loans	85.10

Model inputs

The Consolidated Entity models the ECL for on balance sheet loan commitments measured at amortised cost as well as off balance sheet items such as undrawn loan commitments and undrawn lines of credit. Each portfolio is segmented into representative groupings which are typically based on shared risk characteristics.

The key model inputs used in measuring the ECL include:

- Exposure at default (EAD):** The EAD represents the estimated exposure in the event of a default. The EAD is estimated taking into consideration a range of possible exposures including both repayments and future drawdowns of unutilised commitments up to when the exposure is expected to default.
- Probability of default (PD):** The calculation of PD is generally performed at a facility level segmented based on product type and shared characteristics that are highly correlated to credit risk. PDs are a function of transition matrices used to determine a point in time PD estimate. Loss given default (LGD): The LGD associated with PD used is the magnitude of the ECL in a default event. The LGD is estimated using historical loss rates considering relevant factors for individual exposures or portfolios. These factors include collateral, recovery cost, and the structure of the facility.

Management Overlay

A management overlay adjustment is used by the Consolidated Entity to adjust the expected credit loss model where it is judged that existing inputs, assumptions and model techniques do not capture all the risk factors, limitations or complexity in applying forward looking judgement relevant to the credit portfolios. The uncertainty of the ongoing and emerging new risks to economic stability and path have brought a greater complexity and requirement for additional judgement in the estimation of expected credit losses. Refer to application management overlay in the section below – Ongoing and emerging risks to economic stability and path impact on key estimates and judgments.

Definition of default

The Consolidated Entity uses the definition of default used for in the Consolidated Entity's internal credit risk management framework and has aligned the definition of credit impaired under AASB 9 stage 3 with the definition of default for prudential purposes. Default is generally defined as the point in time when the borrower is unlikely to meet its credit obligations in full, without recourse by the Consolidated Entity to take realisation of collateral; or the borrower is 90 days or more past due.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Consolidated Entity periodically assesses exposures to determine whether there has been a significant increase in credit risk, which may be evidenced by either qualitative or quantitative factors. Qualitative factors include, but are not limited to, whether an exposure has been identified and placed on credit watch list reports. Where there is a deteriorating credit risk profile, the exposures are monitored on a monthly basis through management reporting and credit watch lists reports. All exposures on credit watch lists are classified as stage 2 or if defaulted as stage 3.

Credit Impaired financial assets stage 3

Financial assets are assessed at each reporting date to determine whether there is any indication of impairment. Evidence of credit impairment may include indications that the borrower is experiencing significant financial difficulty, a breach of contract, bankruptcy or other financial reorganisation. An asset that is in stage 3 will move back to stage 2 when it is no longer considered credit impaired. The asset will move back to stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition.

When an asset is identified as credit impaired, expected losses are measured as the difference between the assets gross carrying amount and the present value of estimated future cash flows discounted at the instruments effective interest rate. For impaired financial assets drawn and undrawn components, expected credit loss also reflects any credit losses related to the portfolio of the loan commitment that is expected to be drawn down over the remaining life of the instrument. When a financial asset is credit impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss provision. The best estimate of a loan loss is calculated using the weighted average of the shortfall of the gross carrying amount minus the discounted expected future cash flows.

Cash flows from collateral are included in the measurement of the expected credit losses of the related financial asset. The estimation of future cash flows are subject to significant estimation, uncertainty and assumptions.

The loans loss provision for credit impaired loans in stage 3 is at the individual level, with losses that relate to identified individual impaired loans.

Write off and debt forgiveness

Loans and related ECL are written off, either partly or full from time to time as determined by management and approved by the Chief Executive Officer when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Significant estimates and judgements - Impairment of financial assets

Considerable judgement is exercised in determining the extent of the loan loss provision for financial assets assessed for impairment both individually and collectively and based on assumptions about risk of default and expected loss rates. Community First uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on Community First's past history, experience, existing market conditions, and forward looking estimates at the end of each reporting period. The key judgement areas are the assumptions used to measure expected credit losses, including the use of forward looking and macroeconomic information for both individual and collective assessment of impairment. The scenarios and associated probabilities are ultimately approved by executive management.

The following criteria and definitions are applied for impairment:

- The criteria for identifying a significant increase in credit risk**
When determining whether the credit risk on a financial asset has increased significantly, the Consolidated Entity considers reasonable and supportable information available to compare the risk of default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial asset. Significant judgement is required to determine the criteria for a significant increase in credit risk. As a backstop any loans over 30 days past due are determined to have had a significant increase in credit risk.
- The definition of default**
Judgement is exercised in management's evaluation of whether there is objective evidence that an impairment loss on an asset has been incurred. Significant judgment is required in assessing evidence of credit impairment and estimation of the amount and timing of future cash flows when determining expected credit losses. As a backstop any loans over 90 days past due are determined to have been in default.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

• **Forward looking estimates**

Judgement is applied in the application of forward looking and macroeconomic information. The use of different assumptions and outlook can produce significantly different estimates of expected credit loss. Judgement is used to apply key economic data and general market outlook with internal forecasts and risks.

Ongoing and emerging risks to economic stability and path impact on key estimates and judgements

As noted in 2 (c) Ongoing and emerging risks to economic stability and path have impacted key estimates and judgements.

- Although the COVID-19 risk has substantially moderated there is continuing flow on economic impact.
- The current environment remains uncertain and volatile. Risks to global and domestic economic stability include: geopolitical tensions, global supply chain disruptions, wage growth, high inflation and rising interest rates from record low monetary policy and commodity prices pressures.
- This challenging environment of economic risks is unprecedented and is elevating the level of estimation uncertainty.

The uncertainty of the economic path has been addressed in the ECL estimate with the application of additional overlays and the continuation of the stress applied to the alternative scenarios in probability of default and default rates.

This uncertainty is reflected in the Consolidated Entity's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

Individual assessments

In estimating individually assessed ECL for stage 2 and 3 exposures, the Consolidated Entity makes judgements and assumptions in relation to inputs and assumptions such as expected repayments, the realisable value of collateral, the economic environment, and likely costs and duration. Judgement and assumptions in respect of these matters have been updated to reflect the potential impact of amongst other things, the continuing uncertainties described above.

Collective assessments

In estimating collective assessed ECL the Consolidated Entity makes judgements and assumptions in relation to the selection of ECL inputs, assumptions and interdependencies between these inputs. Judgement and assumptions in respect of these matters have been updated to reflect the potential impact of amongst other things, the continuing uncertainties described above.

The following table summarises the key judgements and assumptions in relation to model inputs and interdependencies between these inputs, and highlights significant changes during the period.

The judgements and associated assumptions have been made within the context of the uncertainty of how various factors might impact the global economy, and reflect historical experience and other factors that are considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Consolidated Entity's estimation of ECL is inherently uncertain and actual results and outcomes may differ from these estimates.

Judgement and assumptions

Determining when a significant increase in credit risk SICR has occurred

In the measurement of ECL, judgement is involved in setting the rules and trigger points to determine whether there has been a SICR since recognition of a loan, which would result in the financial assets moving from stage 1 to stage 2.

This represents a key area of judgement with transition from stage 1 to stage 2 changing the ECL from 12 month losses to lifetime expected credit losses. Subsequent decreases in credit risk result in transition from stage 2 to stage 1.

Changes and considerations for year end 30 June 2023

The ECL was continued to be adjusted for expected deterioration in credit risk. Certain member segments will be more vulnerable to impacts of economic pressures and challenged by the current environment of higher interest rates and elevated inflation.

The uncertainty of economic path is addressed in additional stress applied to the alternative ECL scenarios in probability of default and default rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Base case and economic forecast

The Consolidated Entity uses a base case as the likely scenario. To apply additional forward looking economic outlook that is not captured by the ECL model requires the addition of a management overlay.

The base case scenario applies assumptions and key forward looking variables in relation to: inflation, continuing high interest rates, continued cost of living pressures and labour market conditions.

The base case scenarios are outlined below and have been utilised in determining the 30 June 2023 ECL estimate.

Probability weighting of each scenario

The probability weighting of base, downside and upside scenarios is determined by management considering the risks and uncertainties surrounding the base case.

The probability weightings for each scenario remained unchanged from 30 June 2022. This reflects the continued uncertainty and downside risk of high interest rates, high inflation and geopolitical risk.

The Consolidated Entity has undertaken scenario analysis with expectations of ongoing uncertainty and negative economic impact from economic threats. Greater weighting has been applied to the base scenario as most likely, with the downside less likely and upside unlikely given the Consolidated Entity's assessment of risks.

The applied probability weightings are subject to inherent uncertainty and the actual outcomes may be significantly different to those projected.

The Consolidated Entity considers the weightings to provide the best estimate of possible outcomes.

Management adjustments

Management adjustments to the ECL allowance are adjustments used in circumstances where it is judged that existing inputs, assumptions and model techniques do not capture all the risk factors relevant to the credit portfolios. Examples of such circumstances are: emerging domestic or global economic or political events, natural disasters, or forward looking information.

The use of adjustments may impact the amount of ECL recognised.

Management have continued to apply a number of adjustments to the modelled ECL. These adjustments have been undertaken in the context of emerging economic risks and the extent that the associated credit loss exposures are captured within the modelled scenarios outlined above.

Additional adjustments have been undertaken to:

- Forward stress testing of the credit portfolios has taken place to measure exposures from downside movement in arrears, default rates and collateral values.
- Environment risk adjustments for known flood, bushfire and storm collateral exposure.
- Factor in increased default risk in:
 - Growing unsecured Personal Loan portfolio;
 - Repricing of fixed rate mortgage portfolio to higher rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Modelled provision for ECL

The modelled provision for ECL at 30 June 2023 is a probability weighted estimate of the Consolidated Entity's view of the forward looking distribution of potential outcomes. This provided a movement in arrears, default and collateral securities based on alternative scenarios of: most likely base case with (some downside) weighted at 60%, less likely (more downside) scenario weighted at 25% and least likely (upside) scenario weighted at 15%. The applied adjustments were based on management judgment, historical experience, available information and economic outlook. The alternative scenarios include factoring of the forward looking parameters and interplay of key economic factors of cash rates, unemployment, house price changes and GDP.

The Australian economy and credit portfolios have continued to demonstrate resilience and overall defied the challenging environment largely due to the strong base of low unemployment and accumulated savings. Whilst the COVID-19 health and economic risk have substantially moderated from June 2022, there is remaining continuing impact to the Australian economy. The current environment remains challenging with risks to economic stability threatened by: geopolitical tensions, global supply chain disruptions, wage growth, high inflation and rising interest rates from record low monetary policy and commodity prices pressures. There is expectation of emerging uneven impact from the slowing economy.

To appropriately reflect ongoing uncertainty and potential headwinds in the outlook each scenario include a higher rate of arrears and defaults coupled with higher expected losses due to security value decreases. The base scenario and upside scenario continue to be adjusted for an overall improvement in outlook from that of at June 2021 but with continued uncertainty from pre-pandemic settings. The downside scenario adjustments remain at settings of that at June 2021. The base scenario increases arrears and default rates marginally, the downside scenario increases arrears and default rates at a greater level, whilst the upside scenario is an improvement on the base downside.

The applied scenario assumptions are subject to judgement and estimation, represented at a point in time. The assumptions will be monitored having regard to emerging economic conditions, factors and risk which will apply further ongoing adjustment.

Management Adjustments

With the uncertainty from the ongoing and emerging risks to economic stability the Consolidated Entity has undertaken additional forward looking analysis of the credit portfolios to appropriately apply a prudent management adjustment overlay to the ECL allowance. These adjustments were measured based on results from stress testing the credit portfolios to measure changes in exposures and expected credit losses under projected stressed scenario conditions with a downside movement in arrears, default rates and collateral values.

An additional overlay for Environmental risk adjustment has been included for identified potential flood, bushfire and storm collateral exposure under a stress scenario.

Sensitivity Analysis

The following sensitivity table shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario when all other assumptions are held constant as at 30 June 2023.

Sensitivity Analysis	\$'000
Reported probability weighted ECL	1,785
100% base scenario	1,697
100% downside scenario	2,247
100% upside scenario	1,367

The following table indicates the model scenario weightings applied by the Consolidated Entity at 30 June 2023.

Model Scenario Weightings	
Base scenario	60%
Downside scenario	25%
Upside scenario	15%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Expected Credit Loss analysis

Given current economic uncertainties and the judgement applied to factors used in determining the expected default of borrowers in future periods, the expected credit loss reported by the Consolidated Entity should be considered as a best estimate within a range of possible estimates. The Consolidated Entity's measurement of ECL is at 30 June 2023 using available information and applied professional judgement. Continuing uncertainties increase the risk of the economic forecast resulting in understatement or overstatement of the ECL provision.

Fair value measurement of Financial Instruments

The majority of valuation models of financial instruments used by the Consolidated Entity use only observable market data as inputs.

The financial instruments which are subject to valuation using unobservable inputs are disclosed in Note 30 Financial Instrument disclosure - fair value hierarchy, and are equity investments where quoted prices in active markets are not available. As the assets are classified as fair value through other comprehensive income, changes in the fair value are reflected directly in equity.

(d) Loans and Advances to Members

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees on the date that they are originated. Loans are subsequently measured at amortised cost less impairment losses. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the loan using the effective interest method.

Loans are derecognised if the Consolidated Entity's contractual rights to the cash flows from the loans expire or if the Consolidated Entity transfers the loan to another party without retaining control or substantially all risks and rewards of the loan.

(e) Equity Investments

Investments in shares are classified and measured as FVOCI under AASB 9. Shares are fair valued using the most recent and relevant market information available to management. Fair value gains and losses are recognised through OCI and cannot be recycled through profit upon disposal. Dividend income is recognised through profit and loss.

(f) Software as a Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Consolidated Entity with the right to access the cloud provider's application software over the contract period. As such the Consolidated Entity does not receive a software intangible asset at the contract commencement date. A right to receive future access to the supplier's software does not, at the contract commencement date, give the customer the power to obtain the future economic benefits flowing from the software itself and to restrict others' access to those benefits.

The following table outlines the accounting treatment of costs incurred in relation to SaaS arrangements:

Recognise as an operating expense over the term of the service contract	• Fee for use of application software • Customisation costs
Recognise as an operating expense as the service is received	• Configuration costs • Data conversion and migration costs • Testing costs • Training costs

:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

The following key judgements are made when applying the consolidated entity's accounting policy

Determination whether configuration and customisation services are distinct from the SaaS access

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised. Non distinct configuration and customisation costs are expensed over the SaaS contract term.

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

Capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements where there is software code that either enhances, modifies or creates additional capability to the existing owned software, judgement is applied to determine whether the changes to the owned software meet the definition of and recognition criteria for an intangible asset in accordance with AASB 138 *Intangible Assets*.

(g) Intangible Assets

Computer software not integral to the hardware is classified as an intangible asset and subject to meeting the definition and recognition criteria in accordance with AASB 138 *Intangible Assets*. They are stated at cost less accumulated amortisation and impairment losses. Computer software is amortised over the expected useful life of the software. The lives of these assets range from 2 to 5 years. Impairment is assessed on an annual basis. Amortisation charges are recognised in other expenses.

(h) Property, Plant and Equipment

Items of property, plant and equipment (except land and buildings) are stated at cost less accumulated depreciation and impairment losses.

Land and buildings are revalued and stated at fair value at the date of revaluation less subsequent accumulated depreciation and subsequent accumulated impairment losses. The policy of the Consolidated Entity is to revalue land and buildings by an independent valuation, every three years. In addition an internal assessment is performed yearly to test that the amount is approximate to fair value.

The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment 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 the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

The Consolidated Entity depreciates all assets on a straight line basis so that the cost or valuation of each asset is written off over its expected useful life.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The estimated useful lives of the Consolidated Entity's assets are outlined below.

	2023	2022
Buildings	40 years	40 years
Leasehold Improvements	3 to 5 years	3 to 5 years
Plant and Equipment	3 to 5 years	3 to 5 years

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

(i) Recoverable Amount of Non-current Assets

Non-current assets are recorded at values not exceeding their recoverable amounts. Recoverable amount is determined as the net amount expected to be received through the cash inflows and outflows arising from the continued use and subsequent disposal of a non-current asset.

Classes of non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset in the class does not differ materially from fair value at reporting date. Independent valuations are obtained at intervals of no more than three years. Revaluation increments, on a class of assets basis, are recognised in the asset revaluation reserve within comprehensive income. Revaluation increments reversing a decrement previously recognised as an expense are recognised as revenue. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

(j) Members' Deposits

Member savings and term investments are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. The amount of interest accrued at balance date is shown as part of payables.

(k) Redeemable Preference Shares

Community First issues redeemable preference shares to each Member upon joining in accordance with the Constitution of Community First. These shares are redeemed for their face value of \$2.00 each on leaving Community First. A member share must confer the right to 1 vote, and only 1 vote, at meetings of Community First's members. No dividend is payable in respect of any member share.

On winding-up of Community First the holder of a member share is entitled:

- (a) to payment of the subscription price for the member share when the member subscribed for the member share; and
- (b) if any assets remain after the payments in paragraph (a) – to any surplus assets of Community First.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received.

(m) Interest Bearing Liabilities

All interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. These are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the interest bearing liability using the effective interest method.

Interest bearing liabilities are derecognised if the Consolidated Entity's obligations specified in the contract expire, are discharged or cancelled.

(n) Provisions and Contingent Liabilities

Provisions for employee entitlements

The provision for long service leave is based on the present value of the estimated future cash flows to be made resulting from employees' service up to reporting date, and having regard to the probability that employees, as a group, will remain employed for the period of time necessary to qualify for long service leave.

Provisions for annual leave represent present obligations resulting from employees' service calculated based on remuneration, wage and salary rates that the Consolidated Entity expects to pay as at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Other Provisions and Contingent Liabilities

Provisions are recognised when the Consolidated Entity has a present, legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the expected consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation and those cash flows are discounted to the present value where appropriate.

Contingent liabilities are recognised when it is probable or possible that a present obligation exists but the amount of the obligation cannot be estimated reliably.

(o) Goods and Services Tax (GST)

As a financial institution Community First is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included where applicable GST is collected.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

Cash flows are included in the 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.

(p) Leases Definition

At inception of a contract, the Consolidated Entity assesses whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Consolidated Entity uses the definition of a lease in AASB 16.

For lessee accounting, AASB 16 removes the distinction between operating and finance lease. All leases are recognised on the statement of financial position with exemptions for short term leases (leases with a lease term of 12 months) and leases of low-value assets.

(i) Consolidated Entity as a Lessee

At commencement or on modification of a contract that contains a lease component, the Consolidated Entity allocates consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Consolidated Entity recognises a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payment 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 payments made at or before the commencement date, plus any indirect costs incurred and where appropriate an estimate of costs to dismantle and remove any improvements made to stores.

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

The right-of-use asset is 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 remeasurements of the lease liability.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Consolidated Entity determines its incremental borrowing rate by analysing cost of borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Consolidated Entity is reasonably certain to exercise, lease payments in an optional renewal period if the Consolidated Entity is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Consolidated Entity is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Consolidated Entity's estimate of the amount expected to be payable under a residual value guarantee, if the Consolidated Entity 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, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Consolidated Entity presents right-of-use assets in Note 18 and lease liabilities in Note 21 in the statement of financial position.

The Consolidated Entity entered into four new leases during the year ended 30 June 2023. The weighted average incremental borrowing rate applied to new lease liabilities recognised in the statement of financial position is 6.73%.

Short term leases and leases of low value assets

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

ii) Consolidated Entity as a Lessor

When the Consolidated Entity acts as a lessor, a distinction should be made between finance leases and operating leases. Currently the Consolidated Entity leases out certain property and all are classified as operating leases. The total payments under operating leases are recognised in the statement of profit or loss on a straight line basis over the period of the lease.

The Consolidated Entity has applied AASB 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non lease component.

At inception or on modification of a contract that contains a lease component, the Consolidated Entity allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Consolidated Entity acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. The Consolidated Entity did not have any finance leases as a lessor.

To classify each lease, the Consolidated Entity makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Consolidated Entity considers certain indicators such as whether the lease is for the major part of the economic life of the asset. Consolidated Entity.

The Consolidated Entity applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and Overview

The Consolidated Entity has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks
- capital management

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

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Board Audit and Board Risk Committees (BAC and BRC) to oversee the financial reporting and audit and risk management processes. These Committees comprise of up to four Directors, none of whom is the Chairman of the Board.

The risk management policies are established to identify and analyse the risks faced by the entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Consolidated Entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Audit and Board Risk Committee's major activities are to:

- monitor corporate risk assessment and the evaluation of the effectiveness of internal controls and policies;
- monitor audit reports received from internal and external auditors, and management responses thereto;
- liaise with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- ensure that external auditors remain independent in the areas of work conducted;
- oversee compliance with statutory responsibilities relating to financial disclosure and management information reporting to the Board; and
- assist the Board in the engagement, performance assessment and remuneration of the auditors.

(b) Credit Risk

Credit risk is the risk of financial loss to the Consolidated Entity if a Member or Counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to members, liquid investments and investment securities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Management of Credit Risk – Loans and Advances

The Board of Directors has delegated responsibility for the management of credit risk to the Credit Services Department in respect of loans and advances. The Credit Services Department is responsible for oversight of the credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Credit Officers. Credit facilities exceeding \$1.5 million require approval by the Credit Sub Committee comprising of two Executives and the Head of Credit Services. The Credit Sub Committee in turn makes recommendations to the Chief Executive Officer for the final approval. Any delegation used within policy is tabled to the Asset and Liability Committee (ALCO) for approval.
- Reviewing and assessing credit risk. The Credit Services Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to Members concerned. Renewals and reviews of facilities are subject to the same review process.
- Review, approval and assessment process for measuring ECL.
- Limit concentrations of exposure to counterparties.
- Reviewing compliance with agreed exposure limits. Regular reports are provided to the Credit Services Department on the credit quality of loans and appropriate corrective action is taken.

Management of Credit Risk – Climate Change Risk

The issue of Climate Change is considered by the organisation in terms of the social and environmental changes occurring over time. Any longer-term potentially adverse impacts over time from severe weather events are managed by the annual review of relevant exposures to loans secured by property to ascertain those assets that may have an increased risk of flooding, fire, or increased exposure to severe weather events as part of the Credit Risk Portfolio Stress Test.

However, the social changes to more environmentally friendly practices are also supported through Community First's product portfolio that offers lower rate personal loans, Green loans, to support members to buy solar panels, rain water tanks, home improvements such as double glazing, power saving white goods, electric vehicles and other environmentally friendly products. This product has been available since 2007.

Management of Credit Risk – Liquid Investments

The risk of losses from liquid investments undertaken is reduced by the nature and quality of the independent rating of the counterparty, and the limits of concentration of investments to any counterparty. A limit is also set for each counterparty based on a credit rating assigned by an independent rating agency with the exception of other Mutual ADIs which are considered separately within the policy.

Management of Credit Risk – Investment Securities

In respect of investment securities, any investment activity undertaken requires Board approval on a case by case basis. The Consolidated Entity will make equity investments in companies or joint ventures only where the investment is deemed necessary by the Board of Directors and is related to the provision of products or services to Community First or its Members. The Consolidated Entity will obtain APRA's approval before committing to any exposure to entities in excess of prescribed limits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Exposure to Credit Risk – Loans and Advances to Members

	2023 \$'000	2022 \$'000
Gross amount	1,042,415	1,017,921
Collectively impaired		
30 days & less than 60 days	182	32
60 days & less than 90 days	87	35
90 days & less than 182 days	211	109
182 days & less than 273 days	16	-
273 days & less than 365 days	-	-
More than 365 days	-	-
Gross amount	496	176
Overdrawn/Overlimit		
Less than 14 days	8	13
14 days & less than 90 days	22	14
90 days & less than 182 days	33	23
182 days & over	-	16
Gross amount	63	66
Past due but not impaired *		
*Category 1 – Adequately secured mortgage loans		
30 days & less than 60 days	2,362	-
60 days & less than 90 days	804	123
90 days & less than 182 days	996	-
182 days to 273 days	-	37
365 days & over	-	-
Gross amount	4,162	160
Neither past due nor impaired		
Loans and advances	1,037,694	1,017,519
Allowance for impairment	(1,785)	(1,720)
Deferred loan fees and expenses	45	334
Unearned income	(685)	(473)
Total carrying amount	1,039,990	1,016,062
Includes accounts with renegotiated terms	3,386	3,346

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Impaired Loans

Impaired loans are loans for which Community First and the Consolidated Entity determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Loans with Renegotiated Terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Consolidated Entity has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for Impairment

Under the ECL model the Consolidated Entity estimates the allowance for loan losses and any loans in default are written off from time to time as determined by management and approved by the Chief Executive Officer when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write-offs are recognised as expense in the profit and loss.

Write-off Policy

Community First and the Consolidated Entity writes off a loan when the Credit Services Department determines that a loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Community First and the Consolidated Entity holds collateral against loans and advances to Members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

An estimate of the fair value of collateral and other security enhancements held against past due but not impaired and individually impaired financial assets are shown below:

Loans and Advances to Members

	2023 \$'000	2022 \$'000
Past due but not impaired	4,162	160
Collateral - Property	8,816	1,419

It is the Consolidated Entity's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Consolidated Entity does not use or take repossessed properties for business use. During the year ended 30 June 2023, the Consolidated Entity took possession of nil collateral (30 June 2022: nil).

The Consolidated Entity monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

	2023 \$'000	2022 \$'000
Residential loans*	925,824	924,064
Personal loans	83,064	60,716
Commercial loans	8,624	8,661
Revolving Credit	4,511	4,461
Credit Cards	20,392	20,019
Total gross loans	1,042,415	1,017,921

*Note residential loans are by purpose and may include unsecured facilities not included in the Loan to Value table below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Loan to Value Ratio against eligible residential mortgages is shown below:

	2023 \$'000	2022 \$'000
LVR		
LVR 0% to 60%	409,962	395,554
LVR 60% to 80%	366,744	376,120
LVR 80% to 90%	126,763	122,482
LVR 90% to 100%	22,773	31,572
LVR > 100%	-	-
Total residential mortgages	926,242	925,728

The Consolidated Entity also monitors the investment options in the market based on the credit rating of the counterparty. An analysis of concentrations of investment credit risk at the reporting date is shown below:

	2023 \$'000	2022 \$'000
Long Term Rating Standard & Poor's		
AA-	70,907	52,365
A+	49,368	46,823
A	-	-
A-	17,442	34,996
BBB+	32,112	21,442
BBB	51,856	61,020
BBB-	17,813	20,876
Total	239,498	237,522

An ECL assessment is undertaken over receivables from other financial institutions exposures using an external rating investment grades based approach. The ECL at 30 June 2023 was immaterial on these investments

(c) Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in meeting obligations from its financial liabilities that are settled by delivering cash or another financial asset.

Management of Liquidity Risk

The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Consolidated Entity's reputation.

Treasury receives weekly reports regarding the liquidity profile of all financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short term liquid assets and other short term borrowing facilities with domestic financial institutions to ensure that sufficient liquidity is maintained.

The Consolidated Entity is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. The Consolidated Entity's policy is to apply a minimum target of 11% of funds as liquid assets to maintain adequate funds for meeting withdrawal requests. Given the current economic conditions, the Consolidated Entity is maintaining a minimum liquidity ratio of 12%. The liquidity position is monitored daily. Should the liquidity ratio fall below this level, the management and Board has established a plan to address the matter as outlined in the board policy on liquidity and funding risk management.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

All liquidity policies and procedures are subject to review and approval by the Assets and Liability Committee, Board Risk Committee and the full Board.

The Consolidated Entity relies on deposits from Members as its primary source of funding. The short-term nature of these deposits increases the Consolidated Entity's liquidity risk and the Consolidated Entity actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

As at 30 June 2023 the Consolidated Entity holds a total liquidity ratio of 18.7% (2022: 19.0%) in the form of Minimum Liquidity Holdings (MLH) 17.0% (2022: 17.5%) and non-MLH 1.7% (2022: 1.5%).

Exposure to Liquidity Risk

Details of the reported Consolidated Entity liquidity ratio at the reporting date and during the reporting period were as follows:

	2023	2022
At 30 June (MLH)	17.0%	17.5%
Average for the period	17.9%	16.9%
Maximum for the period	20.1%	18.0%
Minimum for the period	16.2%	15.1%

The Consolidated Entity's residual contractual maturities of its financial liabilities are as follows:

	Note	Carrying amount on balance sheet	Gross nominal (outflows)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
30 JUNE 2023							
Deposits	19	1,172,524	(1,180,759)	(743,944)	(139,580)	(286,603)	(10,632)
Payables	20	7,531	(7,531)	(7,531)	-	-	-
Interest bearing liabilities	22	16,917	(16,966)	-	-	(16,966)	-
		1,196,972	(1,205,256)	(751,475)	(139,580)	(303,569)	(10,632)

	Note	Carrying amount on balance sheet	Gross nominal (outflows)	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years
30 JUNE 2022							
Deposits	19	1,131,002	(1,131,987)	(845,238)	(109,634)	(164,467)	(12,648)
Payables	20	3,585	(3,585)	(3,585)	-	-	-
Interest bearing liabilities	22	40,917	(41,076)	-	-	(24,110)	(16,966)
		1,175,504	(1,176,648)	(848,823)	(109,634)	(188,577)	(29,614)

This table shows the undiscounted cash flows on the Consolidated Entity's financial liabilities and unrecognised loan commitments on the basis of their earlier possible contractual maturity. The Consolidated Entity's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from Members are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

The gross nominal inflow/ (outflow) disclosed in the previous table represents the contractual undiscounted cash flows relating to the principal and interest on the financial liability or commitment.

(d) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices or foreign exchange rates will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Management of Market Risks

The Consolidated Entity is not exposed to currency risk as the Consolidated Entity does not trade in the financial instruments it holds on its books. The Consolidated Entity is exposed to interest rate risk arising from changes in market interest rates.

Overall authority for market risk is vested in the Assets and Liabilities Committee (ALCO). The Finance and Risk departments are responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and the day to day review of their implementation.

Exposure to Market Risks

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. The main tool used to measure and control market risk exposure within the Consolidated Entity's non trading portfolio is Value at Risk (VaR). The VaR of the non-trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Consolidated Entity is based upon a 99% confidence level and assumes a 250-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous two years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

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

- A 250-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- 1500-day observation period. The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.
- The VaR measure is dependent upon the Consolidated Entity's position and volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

The Consolidated Entity uses VaR limits for interest rate risk. The overall structure of VaR limits is subject to review and approval by ALCO, BRC and the Board. VaR is measured monthly and reports utilising VaR limits are submitted to ALCO and the Board for each meeting.

The Value at Risk as at 30 June 2023 is \$2,767,058 (2022: \$523,634).

A summary of the VaR position of the Consolidated Entity's non trading portfolio as at 30 June 2023 and during the period is as follows:

	2023 (% of Capital)	2022 (% of Capital)
At 30 June	2.8	0.6
Average for the period	2.3	3.3
Maximum for the period	2.9	4.4
Minimum for the period	1.0	0.6

A summary of the Consolidated Entity interest rate gap position can be seen in Note 30.

The management of interest rate risk also involves the monitoring of the sensitivity of the Consolidated Entity's financial assets and liabilities to a parallel shift across the yield curve. An analysis of the Consolidated Entity's sensitivity to 200 basis points shift in market interest rates is as follows:

	2023 (% of Capital)	2022 (% of Capital)
At 30 June		
200 basis points increase	3.3	0.6
200 basis points decrease	(3.3)	(0.6)

The negative value implies that the portfolio would lose this amount as a percentage of capital, if there were a parallel shift down in the yield curve.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(e) Operational Risks

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Consolidated Entity's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Consolidated Entity's operations and are faced by all business entities.

The Consolidated Entity's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Consolidated Entity's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to management within each business unit. This responsibility is supported by the development of the overall Consolidated Entity's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodical assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with the Consolidated Entity's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Risk Committee and senior management of the Consolidated Entity.

Community First's compliance process has been developed in accordance with Australian regulatory guidance. The process assists the Board to ensure that we remain aware of changes in legislation, codes and comply with the Prudential Standards.

Capital Management

The Consolidated Entity is licensed as an Australian Deposit-taking Institution ('ADI') under the Banking Act and is subject to prudential supervision by the Australian Prudential Regulation Authority ('APRA').

The APRA Standards include *APS 110 Capital Adequacy* requires the Consolidated Entity to:

- have an Internal Capital Adequacy Assessment Process;
- maintain required levels of regulatory capital;
- operate a capital conservation buffer and a countercyclical capital buffer;
- inform APRA of any adverse change in actual or anticipated capital adequacy; and
- seek APRA's approval for any planned capital reductions.

The Consolidated Entity's primary source of capital is retained earnings. The Consolidated Entity maintains its' capital levels for the current and future activities by conducting the ICAAP on an annual basis, and maintaining a Capital Management Plan. The plan addresses the capital requirements prescribed by APRA, the strategy for managing capital resources over time, a capital target, how the required capital requirements is to be met and actions and procedures for monitoring compliance with minimum capital requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

During the year, the Consolidated Entity has complied in full with all its externally imposed requirements.
The Consolidated Entity regulatory capital position at 30 June was as follows:

	2023 \$'000	2022 \$'000
Tier 1 capital	94,921	90,598
Tier 2 capital	4,074	4,082
Total regulatory capital	98,995	94,680
Total risk weighted assets	564,742	623,102
Total capital ratio	17.5%	15.2%

5. INTEREST INCOME AND INTEREST EXPENSE

Interest Income

	2023 \$'000	2022 \$'000
Cash deposits at call	555	4
Deposits with other financial institutions	7,885	1,304
Loans and advances	35,860	26,692
Total interest revenue	44,300	28,000

Interest Expense

Member deposits	15,067	2,929
Wholesale deposits	923	317
Borrowings	2	1
Total interest expense	15,992	3,247

Net Interest Income	28,308	24,753
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
6. NON INTEREST INCOME		
Dividends	406	1,589
Fees and commissions		
- loan fee income – other than loan origination fees	1,484	1,425
- transaction fees	916	921
- other fee income	742	705
- insurance commissions	287	259
- other commissions	814	715
Bad debts recovered	205	173
Other revenue		
- rental income	245	240
- ATM fees	71	70
- other	236	104
	5,406	6,201
(a) Gain on Sale of Non-current Assets		
Gross proceeds on sale of non-current asset	57	-
Less: written down value of non-current assets	4	-
Profit on sale of non-current assets	53*	-
7. IMPAIRMENT LOSSES ON LOANS AND ADVANCES		
New and increased provisions (net of releases)	308	335
Bad debts written off directly against profit	129	58
	437	393

*(a) Loss on disposal of assets of \$4 included in other expenses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
8. OTHER EXPENSES		
Personnel	14,504	14,133
Occupancy	1,078	1,033
Depreciation (including ROU asset depreciation)	1,271	1,524
Amortisation	167	242
Information Technology	3,598	3,371
Other	7,485	7,278
	28,103	27,581
(a) Auditors' Remuneration		
	2023 \$	2022 \$
Audit services: Auditors of the Consolidated Entity		
KPMG - audit and review of financial reports	168,870	160,830
KPMG - other regulatory audit services	62,680	50,170
	231,550	211,000
Other services:		
KPMG - taxation	19,425	18,500
KPMG - other	9,145	-
	260,120	229,500
	Total KPMG	Total KPMG
EY - internal audit	123,550	173,300
	383,670	402,800
	Total audit services	Total audit services

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
9. INCOME TAX EXPENSE		
Current tax expense	1,035	355
Adjustment for prior years	(1)	(6)
Current year tax expense	1,034	349
Deferred tax expense	131	(73)
Total income tax expense	1,165	276
Numerical reconciliation between tax expense and pre-tax net profit		
Profit for the year	4,009	2,704
Total income tax expense	1,165	276
Profit excluding income tax	5,174	2,980
Income tax using tax rate of 25%	1,294	745
Prior year tax adjustment	(2)	(6)
Non-deductible expenses	3	1
Franking rebate	(126)	(467)
Transitional Tax rate adjustment	(4)	3
	1,165	276
The amount of non distributable franking credits held by the Consolidated Entity after adjustment for credits arising on tax payable in the current year's result.	20,957	19,749

10. CASH ASSETS		
Cash on hand and at bank	4,398	4,354
Deposits at call	17,000	10,000
	21,398	14,354

11. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS		
Recorded as Amortised Cost Investments		
Deposits with Cuscal Limited	17,470	17,470
Deposits with other ADIs*	200,630	205,699
	218,100	223,169
Maturity Analysis		
Not longer than 3 months	94,158	99,975
Longer than 3 and not longer than 12 months	27,642	43,278
Longer than 12 months	96,300	79,916
	218,100	223,169

* Includes the liquidity, expense and interest reserve of \$16,350,000 held with easystreet Trust which is not immediately available for use.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
12. LOANS AND ADVANCES		
Overdrafts	4,542	4,481
Credit Cards	20,395	20,031
Term loans	1,017,478	993,409
Gross Loans and Advances	1,042,415	1,017,921
Add: Deferred loan fees and expenses	45	334
Less: Unearned income	(685)	(473)
Less: Provision for impaired loans (Note 13)	(1,785)	(1,720)
Net Loans and Advances	1,039,990	1,016,062
Securitised Loans		
The values of securitised loans which do not qualify for derecognition as the conditions do not meet the criteria in AASB 9.	245,222	164,924
Maturity Analysis		
Not longer than 3 months	29,736	29,577
Longer than 3 and not longer than 12 months	5,172	7,035
Longer than 1 and not longer than 5 years	41,299	42,028
Longer than 5 years	966,208	939,281
	1,042,415	1,017,921
Credit Commitments		
Loans approved not funded	14,654	7,739
Loan facilities for members' overdrafts, lines of credit and Visa credit limits approved as at 30 June	66,377	72,440
Total facilities utilised	(24,937)	(24,512)
Total facilities unutilised	41,440	47,928

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. IMPAIRMENT OF LOANS AND ADVANCES

Provision for Impairment – ECL reconciliation

Provision for Impairment

The table below represents the reconciliation from the opening to the closing balance of ECL allowances on loan assets to which the impairment requirements under AASB 9 are applied:

Year ended 30 June 2022

	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Provision Total \$'000
As at 30 June 2021	750	801	60	1,611
Changes due to financial assets that have:				
Transferred to 12 months ECL collectively assessed	21	(21)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(191)	269	(78)	-
Transfer to lifetime ECL credit impaired specifically assessed	-	(242)	242	-
New and increased provisions net of releases	278	(22)	78	335
Bad debts written off	-	-	(226)	(226)
As at 30 June 2022	859	785	76	1,720

Year ended 30 June 2023

	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Provision Total \$'000
As at 30 June 2022	859	785	76	1,720
Changes due to financial assets that have:				
Transferred to 12 months ECL collectively assessed	113	(113)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(213)	429	(216)	-
Transfer to lifetime ECL credit impaired specifically assessed	-	(285)	285	-
New and increased provisions net of releases	(19)	111	216	308
Bad debts written off	-	-	(243)	(243)
As at 30 June 2023	740	927	118	1,785

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Shares in Unlisted Companies		
Cuscal Limited	5,054	6,543
Transaction Solutions Limited (Trading as Experteq)	3,758	4,466
	8,812	11,009

Community First adopt the net tangible asset backing methodology used in valuing Cuscal and Experteq shares.

15. INTANGIBLE ASSETS		
Software	3,590	2,789
Accumulated amortisation	2,827	2,660
Carrying amount at the end of the year	763	129
Software		
Reconciliation of the carrying amount		
Carrying amount at the beginning of the year	129	258
Additions	801	113
Amortisation for current year	(167)	(242)
Carrying amount at the end of the year	763	129

16. ACCRUED RECEIVABLES*		
Accrued interest	1,328	405
Accrued non-interest income	784	778
Debtors and prepayments	1,311	2,260
	3,423	3,443

*All accrued receivables are due within 12 months.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
17. PROPERTY, PLANT AND EQUIPMENT		
Land and Buildings		
At fair value	17,618	17,555
Less accumulated depreciation	(93)	-
Land and Buildings	17,525	17,555
Plant and Equipment		
Office equipment		
At cost	528	984
Less accumulated depreciation	(482)	(917)
	46	67
Furniture and Fittings		
At cost	2,034	2,911
Less accumulated depreciation	(1,739)	(2,533)
	295	378
Data Processing Equipment		
At cost	1,610	2,040
Less accumulated depreciation	(1,341)	(1,764)
	269	276
Motor Vehicles		
At cost	335	360
Less accumulated depreciation	(243)	(331)
	92	29
Plant and Equipment	702	750
Total Property, Plant and Equipment	18,227	18,305

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Land and Buildings		
Carrying amount at the beginning of year	17,555	13,941
Additions	63	31
Revaluation	-	3,879
Depreciation	(93)	(296)
Carrying amount at end of year	17,525	17,555
Plant and Equipment		
Carrying amount at the beginning of year	750	869
Additions	370	350
Disposals	(9)	-
Depreciation	(409)	(469)
Carrying amount at end of year	702	750
Total Property, Plant and Equipment	18,227	18,305

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Consolidated Entity has determined that the financial statements should reflect the fair value of the investment in land and buildings. The policy of the Consolidated Entity is to revalue land and buildings every three years to reflect the current market value. An independent valuation was last performed by James Popovic AAPI 69779 of AEC Group at 30 June 2022. Refer to note 3.3(h) for further detail.

18. RIGHT OF USE ASSETS

Right of use assets relate primarily to leased store premises.

	2023 \$'000	2022 \$'000
Consolidated and Community First		
Carrying amount at beginning of year	1,053	1,011
Additions	768	800
Re-measurement with CPI	14	1
Depreciation	(769)	(759)
Carrying amount at end of year	1,066	1,053

19. DEPOSITS

Savings deposits	690,224	780,175
Term deposits	462,511	335,065
Wholesale deposits	19,677	15,653
Member shares	112	109
	1,172,524	1,131,002
Maturity Analysis		
At call	686,564	774,768
Not longer than 3 months	195,846	179,944
Longer than 3 and not longer than 6 months	144,231	89,926
Longer than 6 and not longer than 12 months	135,907	73,870
Longer than 1 and not longer than 5 years	9,976	12,494
	1,172,524	1,131,002

Concentration of Deposits

There are no members who individually have deposits which represent 10% or more of total liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
20. PAYABLES*		
Sundry creditors and accruals	721	2,868
Accrued interest payable	6,810	717
	7,531	3,585

*All payables are due within 12 months.

21. LEASE LIABILITIES

Carrying amount at beginning of year	1,158	1,127
Additions	768	800
Lease interest	61	62
Repayments	(857)	(832)
Re-measurement with CPI	14	1
Closing Balance	1,144	1,158

22. INTEREST BEARING LIABILITIES

Term Funding Facility with Reserve Bank of Australia		
Loan Facility - Secured		
Gross Facility	16,917	40,917
Current borrowing	16,917	40,917
Net Available	-	-

The Term Funding Facility (TFF) to support lending to Australian Businesses was announced on 19 March 2020 as part of a package of measures to support the Australian economy impacted by the COVID-19 pandemic. Under the TFF, the Reserve Bank offered three-year funding to authorised deposit-taking institutions (ADIs) through repurchase transactions at a fixed rate of 25 basis points per annum.

Community First was allocated an initial allowance of \$25.9m, with a maturity of 6 April 2023, which was based on 3.0% of the total credit outstanding to Australian residential households and (non-related) businesses, measured as the average of Community First total credit in the three months ending 31 January 2020. Community First may also be able to access an additional allowance, which is calculated based on Community First's increase in credit outstanding to large businesses and SMEs.

On 6 April 2020 Community First drew \$24.0m of the \$25.9m TFF using the self-securitised asset-backed securities as collateral. These funds were drawn down as a precautionary measure only and can be repaid without affecting any prudential liquidity measure. The underlying face value of \$41.7m was used for the purchased securities. This first tranche was repaid to the RBA on 6 April 2023.

On 1 September 2020 The Reserve Bank announced further support to lending and low interest rates by increasing and extending the TFF by providing a new supplementary funding allowance available to all ADIs from 1 October 2020 through to 30 June 2021. The supplement allowance available will be fixed at 2.0% of an ADI's overall credit and priced at 10 basis points per annum fixed for three years. Community First was allocated an additional supplementary allowance of \$16.9m which was fully drawn down on 18 May 2021 with a maturity of 20 May 2024.

As at 30 June 2023 the Consolidated Entity has pledged RBA eligible residential self securitised mortgaged backed securities with a face value of \$42,830,000 as collateral for this facility.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
23. STANDBY AND USED BORROWING FACILITIES		
Loan Facility – Secured		
Gross facility	-	-
Current borrowing	-	-
Net available	-	-
Overdraft Facility – Secured		
Gross facility	6,000	6,000
Current borrowing	-	-
Net available	6,000	6,000
Total Facility		
Gross facility	6,000	6,000
Current borrowing	-	-
Net available	6,000	6,000

24. INCOME TAX PROVISION / NET DEFERRED TAX LIABILITY

(i) Income Tax Provisions

	2023 \$'000	2022 \$'000
Consolidated and Community First		
Income Tax Provision	464	-

(ii) Recognised Deferred Tax Assets and Deferred Tax Liabilities

	Assets		Liabilities		Net	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Consolidated and Community First						
Revaluation of financial assets at FVOCI	-	-	(991)	(1,650)	(991)	(1,650)
Provision for loan impairment	535	516	-	-	535	516
Intangible assets	27	56	-	-	27	56
Property, plant and equipment	22	11	(2,868)	(2,744)	(2,846)	(2,733)
Right of use assets	-	-	(291)	(291)	(291)	(291)
Receivables	1	2	-	(2)	1	-
Payables	103	220	(182)	(194)	(79)	26
Lease liabilities	312	321	-	-	312	321
Employee benefits	1,150	1,031	-	-	1,150	1,031
Total	2,150	2,157	(4,332)	(4,881)	(2,182)	(2,724)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Annual Leave \$'000	Long Service Leave \$'000	Other \$'000	Total \$'000
Consolidated and Community First				
25. PROVISIONS				
Balance at 1 July 2022	1,145	2,472	-	3,617
Provisions made during the year	1,077	533	-	1,610
Provisions used during the year	(1,025)	(177)	-	(1,202)
Balance at 30 June 2023	1,197	2,828	-	4,025
Current	1,197	2,384	-	3,581
Non Current	-	444	-	444

	2023 \$'000	2022 \$'000
Consolidated and Community First		
26. REDEEMED PREFERENCE SHARE CAPITAL ACCOUNT		
The redeemed preference share capital account records the dollar value of shares redeemed as at year to date. Each share is valued at \$2 per share.		
Balance at the beginning of the year	490	481
Transfer from retained earnings on share redemption	8	9
Balance at the end of year	498	490

27. RESERVES

Asset revaluation reserve (i)	9,393	10,931
Credit loss reserve (ii)	2,452	2,452
Business combination reserve	12,002	12,002
	23,847	25,385

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Asset revaluation Reserve \$'000	Credit loss reserve \$'000	Business combination reserve \$'000	Total Reserves \$'000
Consolidated and Community First				
RECONCILIATION OF RESERVES 2023				
Opening Balance 1 July 2022	10,931	2,452	12,002	25,385
FVOCI revaluation movement for the year, net of tax	(1,538)	-	-	(1,538)
Closing Balance 30 June 2023	9,393	2,452	12,002	23,847

Nature and Purpose of Reserves

i. Asset Revaluation Reserve

The asset revaluation reserve relates to equity instruments designated at FVOCI and property, plant and equipment measured at fair value in accordance with applicable Australian Accounting Standards.

ii. Credit Loss Reserve

This reserve records amounts previously set aside as a general provision and is maintained to comply with the guidance set down by APRA.

	2023 \$'000	2022 \$'000
Consolidated and Community First		
28. RETAINED EARNINGS		
Balance at the beginning of the year	78,646	75,951
Profit for the year	4,009	2,704
Transfer to redeemed preference share capital account	(8)	(9)
Balance at the end of the year	82,647	78,646

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2023 \$'000	2022 \$'000
Consolidated and Community First		
29. NOTES TO AND FORMING PART OF THE STATEMENTS OF CASH FLOWS		
(a) Reconciliation of Cash		
Cash includes cash on hand, and deposits at call with financial institutions net of outstanding overdrafts.		
Cash as at balance date comprises:		
Cash on hand	4,398	4,354
Deposits at call	17,000	10,000
	21,398	14,354
(b) The net cash provided by operating activities is reconciled to the net profit after tax		
Net profit after tax	4,009	2,704
(Loss) / gain on sale of fixed assets & intangibles	(48)	-
Bad debts written off	372	284
Depreciation & Amortisation	1,438	1,766
Changes in Assets and Liabilities		
(Increase) in accrued receivables	(928)	(265)
Net (Increase) in members' loans	(24,365)	(47,422)
Decrease/(Increase) in sundry debtors and prepayments	949	(741)
Decrease / (Increase) in net deferred tax assets and liabilities	118	(72)
Net Increase in deposits	41,521	52,108
Increase / (Decrease) in payables	3,945	(363)
Increase in provision for doubtful debts	65	109
Increase in provisions for staff entitlements	408	405
Increase / (Decrease) in other provisions	464	(200)
Net Cash Provided by Operating Activities	27,948	8,313

(c) Cash Flows Presented on a Net Basis

Cash flows arising from loan advances, loans repayments, member deposits, member withdrawals and from sales and purchases of maturing certificates of deposit have been presented on a net basis in the Statement of Cash Flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities are set out below.

	Note	Effective interest rate %	Floating interest rate \$'000	Fixed interest rate repriced in:			Total carrying amounts as per Statement of Financial Position \$'000
				1 year or less \$'000	1 to 7 years \$'000	Non-interest bearing \$'000	
Consolidated and Community First							
2023							
Financial Assets							
Cash assets	10	2.43%	21,398	-	-	-	21,398
Due from other financial institutions	11	3.41%	21,857	116,293	79,950	-	218,100
Loans and advances	12	3.50%	588,289	223,090	228,611	-	1,039,990
Financial assets at FVOCI	14	n/a	-	-	-	8,812	8,812
Total Financial Assets			631,544	339,383	308,561	8,812	1,288,300
Financial Liabilities							
Deposits	19	1.34%	686,452	475,984	9,976	112	1,172,524
Interest bearing liabilities	22	0.10%	-	16,917	-	-	16,917
Total Financial Liabilities			686,452	492,901	9,976	112	1,189,441

	Note	Effective interest rate %	Floating interest rate \$'000	Fixed interest rate repriced in:			Total carrying amounts as per Statement of Financial Position \$'000
				1 year or less \$'000	1 to 7 years \$'000	Non-interest bearing \$'000	
Consolidated and Community First							
2022							
Financial Assets							
Cash assets	10	0.05%	14,354	-	-	-	14,354
Due from other financial institutions	11	0.57%	19,115	139,554	64,500	-	223,169
Loans and advances	12	2.64%	484,032	189,544	342,486	-	1,016,062
Financial assets at FVOCI	14	n/a	-	-	-	11,009	11,009
Total Financial Assets			517,501	329,098	406,986	11,009	1,264,594
Financial Liabilities							
Deposits	19	0.28%	774,659	343,740	12,493	110	1,131,002
Interest bearing liabilities	22	0.19%	-	24,000	16,917	-	40,917
Total Financial Liabilities			774,659	367,740	29,410	110	1,171,919

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS DISCLOSURE

(b) Fair Values of Financial Assets and Liabilities

The following table sets out the Consolidated Entity's classification of financial assets and liabilities, and their fair values.

	Total Carrying amount as per Statement of Financial Position		Fair Value	
	2023 \$'000	2022 \$'000	2023 Total \$'000	2022 Total \$'000
CONSOLIDATED AND COMMUNITY FIRST				
Financial Assets				
Cash assets	21,398	14,354	21,398	14,354
Due from other financial institutions	218,100	223,169	218,453	222,326
Loans and advances	1,039,990	1,016,062	1,026,596	1,011,085
Other investments	8,812	11,009	8,812	11,009
Total Financial Assets	1,288,300	1,264,594	1,275,259	1,258,774
Financial Liabilities				
Deposits	1,172,524	1,131,002	1,172,387	1,130,999
Interest bearing liabilities	16,917	40,917	16,320	40,558
Total Financial Liabilities	1,189,441	1,171,919	1,188,707	1,171,557

i. Fair Value Hierarchy

The following table sets out the fair value hierarchy of financial assets and liabilities. It does not include fair value information for financial assets and financial liabilities if the carrying amount is a reasonable approximation of fair value.

The different levels have been defined 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); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Aggregate fair value							
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
	Level 1		Level 2		Level 3		Total	
CONSOLIDATED AND COMMUNITY FIRST								
Financial Assets								
Due from other financial institutions	-	-	218,453	222,326	-	-	218,453	222,326
Loans and advances	-	-	-	-	1,026,596	1,011,085	1,026,596	1,011,085
Other investments	-	-	-	-	8,812	11,009	8,812	11,009
Total Financial Assets	-	-	218,453	222,326	1,035,408	1,022,094	1,253,861	1,244,420
Financial Liabilities								
Deposits	-	-	1,172,387	1,130,999	-	-	1,172,387	1,130,999
Interest bearing liabilities	-	-	16,320	40,558	-	-	16,320	40,558
Total Financial Liabilities	-	-	1,188,707	1,171,557	-	-	1,188,707	1,171,557
					2023 \$'000	2022 \$'000		
Level 3 Reconciliation								
Balance at beginning of financial year					1,022,094	965,515		
Loans and advances					-	-		
Purchase of investment					-	-		
Movement in Loans in financial year					15,511	55,541		
Total losses and gains - FVOCI					(2,197)	1,038		
Balance at end of the financial year					1,035,408	1,022,094		

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

- i. Cash and cash equivalents**
The carrying amount approximates fair value as they are short term in nature or are receivable on demand.
- ii. Receivables due from other Financial Institutions**
The fair value is calculated by reference to the current investment rate that would be obtained at balance date for investment based on the number of days remaining until maturity. Financial assets held to maturity are carried at amortised cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- iii. Loans and Advances**
The carrying value of loans, advances and other receivables are net of provisions for impairment. The fair values are estimated using valuation models such as discounted cash flow techniques using current market rates as at balance date.

The fair value for loans was calculated by utilising a discounted cash flow model and including an adjustment for the creditworthiness of the customer. The discount rates applied were based on the current benchmark rate for fixed rate loans being offered on terms with a similar remaining period.

Where observable market transactions are not available to estimate the fair value of loans and advances, fair value is estimated using valuation models such as discounted cash flow techniques.
- iv. Deposits from Members**
The carrying amount approximates fair value for savings account balances as they are at call. The fair value of members' term deposits are estimated using a discounted cash flow analysis based on current market rates for term deposits having substantially the same terms and conditions.
- v. Financial assets at FVOCI**
The carrying amount of financial assets at FVOCI consists of shares in a non- listed entity which are not actively traded. In the current financial year, the fair value of these assets has been estimated based on the net tangible asset valuation methodology. The FVOCI is categorised at Level 3 in the fair value hierarchy.
- vi. Interest Bearing Liabilities**
The carrying amount of interest bearing liabilities approximates their fair value.

31. COMMITMENTS

- i. Lease Expenditure & Receivable Commitments**
Lease expenditure commitments relate to store leases which typically run for a period between 1-5 years, with an option to renew the lease after the lease expires. Lease payments are increased every year to reflect market rentals, either via CPI index plus margin, as per industry standard and/or via negotiations.

	2023 \$'000	2022 \$'000
Consolidated and Community First		
Within 1 year	616	531
1 to 5 years	527	627
Greater than 5 years	-	-
	1,143	1,158
- ii. Lease Receivable commitment**

	2023 \$'000	2022 \$'000
Within 1 year	138	56
1 to 5 years	292	-
	430	56

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

32. CONTINGENCIES

Reserve Bank Repurchase Obligations (REPO) Trust

Community First has established the securitisation trust to provide access to emergency liquidity support in the event of a systematic liquidity crisis. The Trust is in substance controlled by Community First. Accordingly, the Trust is consolidated into Community First's financial statements. Community First sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for Investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by Community First. Whilst the rights to the underlying cash flows have been transferred, Community First has been appointed to service the loans and must continue to manage the loans as if it were the lender. Accordingly, the mortgage loans and associated financial liability from the Trust on transfer of the loans are recognised in Community First's financial statements. The balance of securitised loans at 30 June 2023 is \$245,221,606 (30 June 2022: \$164,923,930). The values of securitised loans do not qualify for de-recognition from the balance sheet of the Consolidated Entity. The REPO pool was topped up by \$130.7m on 15 Nov 2022.

Trademark Dispute

On 11 March 2021 The Federal Court of Appeal returned the verdict on the Trademark case over the words "Community Bank". Community First has won the right to register the names "Community First Bank" or "Community First Mutual Bank" as trademarks. The court also ordered the deregistration of the Bendigo Bank (BEN) "Community Bank" trademark.

The Federal Court also awarded the costs of the appeal to Community First, to be taxed if not agreed.

In June 2021, Community First recognised a legal cost recovery receivable from the conclusion of the court case. However, no further cost recovery receivable has been recognised since as the "Taxation" process is yet to be completed.

On 14 July 2023, Community First received the Estimate from the Federal Court in the sum of \$2,200,000 for costs recovery in favour of Community First.

On 4 September 2023, Community First received a conditional offer from Bendigo Bank to settle the cost proceedings of \$2,000,000. At the time of writing the Board of Community First has yet to consider the offer.

33. CONSOLIDATED ENTITIES

Particulars in relation to the controlled entity:

Parent Entity

Community First Credit Union Limited.

Consolidated Entity and Community First

	2023 %	2022 %
	Consolidated and Community First Interest	
easystreet Trust No. 1	100%	100%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

34. KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Personnel have been taken to comprise the directors and the executive management team responsible for the day to day financial and operational management of the Consolidated Entity.

(a) Key Management Personnel Compensation

Key management personnel compensation included in "personnel expense" is as follows:

	2023 \$	2022 \$
	Consolidated and Community First	
Short-term employee benefits	2,138,790	2,140,468
Other long term benefits	126,241	176,103
Post-employment benefits	182,266	190,222
Termination benefits	311,585	-

In the above table, remuneration shown as Short Term benefits includes (where applicable) wages, salaries, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements.

(b) Loans to Key Management Personnel

	2023 \$	2022 \$
	Consolidated and Community First	
(i) The aggregate value of loans to Key Management Personnel as at Balance date amounted to	666,447	795,465
The total value of revolving credit facilities to Key Management Personnel, as at Balance date amounted to	39,200	39,200
Less amounts drawn down and included in (i)	2,941	7,512
Net balance available	36,259	31,688
(ii) During the year the aggregate value of loans disbursed to Key Management Personnel amounted to:		
Revolving credit facilities	292,997	10,273
Term Loans	-	-
	292,997	10,273
(iii) During the year the aggregate value of Revolving Credit Facility limits were (reduced) / increased to Key Management Personnel amounted to:	-	(5,000)
(iv) Interest and other revenue earned on Loans and revolving credit facilities to Key Management Personnel	30,670	19,779

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Consolidated Entity's policy for lending to Key Management Personnel is that all loans are approved and deposits accepted on the same terms and conditions 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 Key Management Personnel. There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Personnel. There are no loans which are impaired in relation to the loan balances with close family relatives of Key Management Personnel.

(c) Other Key Management Personnel Transactions with the Consolidated Entity

Other transactions between related parties include deposits from Key Management Personnel and their related entities or close family members. The Consolidated Entity's policy for receiving deposits from other related parties and, in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit. There are no benefits paid or payable to the close family members of the Key Management Personnel. There are no service contracts to which Key Management Personnel or their close family members are an interested party.

35. RELATED PARTY TRANSACTIONS

Related Party Disclosures with respect to Key Management Personnel are set out in Note 34.

36. ECONOMIC DEPENDENCY

(a) Cuscal Limited

Cuscal supplies the Consolidated Entity rights to Member Cheques, Redicard and VISA card in Australia and provides services in the form of settlement with Bankers for Member Cheques, EFT and VISA card transactions, and the production of VISA and Redicards for use by members.

Cuscal also supplies aggregated financial banking services to the Consolidated Entity including treasury and money market facilities. The Consolidated Entity maintains investments with Cuscal to comply with the settlement exposure cover.

(b) TransAction Solutions Limited ((trading on Experteq))

Experteq is a facilities management company owned by a small group of credit unions, of which Community First Credit Union is one. Experteq provides data centre facilities management, disaster recovery and some technology support services for the Consolidated Entity.

(c) Ultradata Australia Pty Limited

This company provides and maintains the application software utilised by the Consolidated Entity.

(d) Service Contracts

All service contracts are capable of being cancelled within 12 months except for Experteq.

37. EMPLOYEE BENEFITS

Employee Leave Provision

Aggregate liability for employee entitlements, including on-costs:

		2023 \$'000	2022 \$'000
	Note	Consolidated and Community First	
Provision for employee annual leave	25	1,197	1,145
Provision for employee long service leave	25	2,828	2,472
		4,025	3,617

As at 30 June 2023, the Consolidated Entity employed 141 staff, comprising 114 full-time, 27 part-time. This equates to a full time equivalent of 131 persons (2022: 138 staff, 107 full-time, 30 part-time and 1 casual employees. 126 full time equivalent).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

38. SECURITISATION

In addition to the REPO trust disclosed in Note 32 the Consolidated Entity has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote loans on their behalf, for on sale to an investment trust. The Consolidated Entity also manages the loans portfolio on behalf of the trust. The amount of securitised loans under management as at 30 June 2023 is nil (2022: \$2,733,961). In April 2013, Cuscal announced the closure of the Integris Securitisation program and allowed the gradual run down of the portfolio. The effective date of the closure commenced 1 March 2014.

On 14 October 2022, Cuscal provided their intention to initiate a clean-up call and the complete closure of the Integris Securitisation Program. The clean-up call was executed on 6 June 2023 with a total Integris loan portfolio balance of \$2,477,375 brought onto Community First's balance sheet.

39. RECEIVABLES ACQUISITION AND SERVICING AGREEMENT

Community First has a Receivables Acquisition and Servicing Agreement (RASA) with Bendigo Bank Limited ("BEN") whereby Community First is able to sell loan receivables to BEN to a maximum of \$90m.

As at 30 June 2023 the balance outstanding under this facility totalled \$20.7m (as at 30 June 2022 \$27.3m).

	2023 \$'000	2022 \$'000
	Community First	
40. PARENT ENTITY DISCLOSURES		
As at, and throughout the financial year ended 30 June 2023 the parent of the Consolidated Entity was Community First.		
Result of parent entity		
Profit for the year	4,009	2,704
Other comprehensive income for the year	(1,538)	3,442
Total comprehensive income for the year	2,471	6,146
Financial position of parent entity at year end		
Total assets	1,311,779	1,287,524
Total Liabilities	1,204,787	1,183,003
Total equity of parent entity comprising of:		
Redeemed preference share capital account	498	490
Reserves	23,847	25,385
Retained earnings	82,647	78,646
Total equity	106,992	104,521

41. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Consolidated Entity, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

DIRECTORS' DECLARATION

- 1 In the opinion of the Directors of Community First Credit Union Limited (Community First):
- (a) the financial statements and notes, set out on pages 39 – 91, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Community First's and the Consolidated Entity's financial position as at 30 June 2023 and of their performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that Community First will be able to pay its debts as and when they become due and payable.
- 2 The Directors draw attention to Note 2 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:


Mr Stephen Nugent
Chair


Mr Kenneth Pickering
Chair of Board Audit and Risk Committees

Dated at Sydney this 15th day of September 2023.



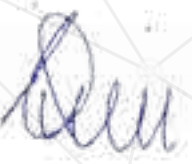
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Community First Credit Union Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Community First Credit Union Limited for the financial year ended 30 June 2023 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.


KPMG


Richard Drinnan
Partner
Wollongong
15 September 2023

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Independent Auditor's Report

To the members of Community First Credit Union Limited

Opinions

We have audited the consolidated Financial Report of Community First Credit Union Limited (the Group Financial Report). We have also audited the Financial Report of Community First Credit Union Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Community First Credit Union Limited are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the Group and the Company comprise:

- Statements of financial position as at 30 June 2023
- Statements of profit or loss and other comprehensive income, Statements of changes in members' equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Community First Credit Union Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinions

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

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

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

Other Information

Other Information is financial and non-financial information in Community First Credit Union Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Chair's Report, Chief Executive Officer's Report, Five Year Summary, Our Environment, Corporate Governance Statement and the Directors' Report.

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

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

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

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Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

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

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

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

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

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

A further description of our responsibilities for the audits of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

This description forms part of our Auditor's Report.



Richard Drinnan
Partner

Wollongong
15 September 2023

GLOSSARY

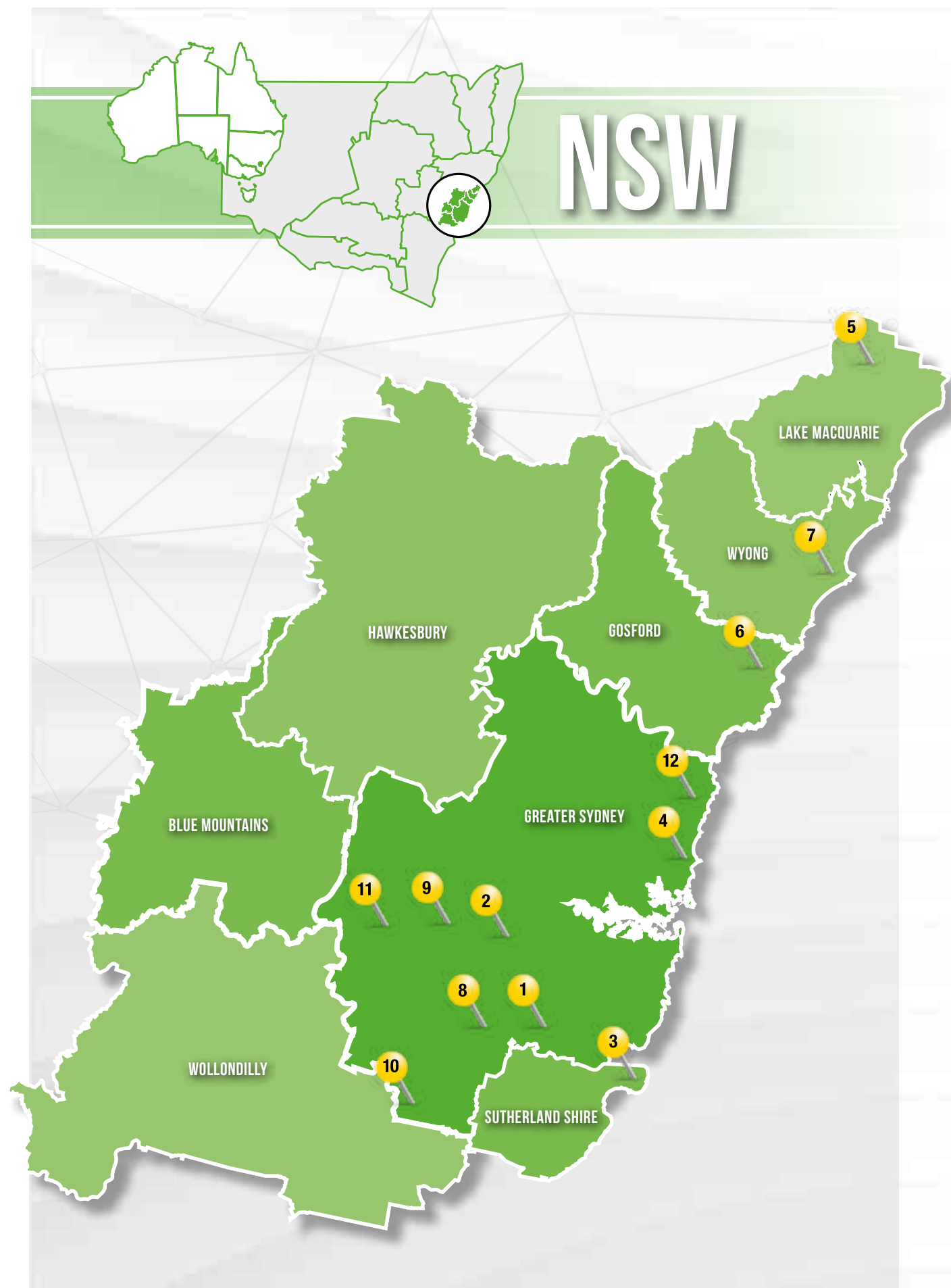
AGM	Annual General Meeting is commonly abbreviated as AGM and is the meeting of the general membership of the credit union.
Amigo	The Amigo Credit Card is a white-label credit card product offered to other credit unions to provide to their members under an agreed shared-income arrangement.
Google Pay	A digital wallet platform developed by Google that offers members a smart way to make fast purchases with compatible credit or debit cards, across Android devices that is both simple and secure.
Apple Pay	Apple Pay is a digital wallet from Apple which lets users use a compatible iPhone, Apple Watch or iPad to make secure contactless purchases in stores, within selected apps and participating websites.
BuiLD	BuiLD is a comprehensive 17 week learning and development program for staff providing them with the skills and knowledge to best serve our members.
Club Rewards	An innovative and unique account with a Visa Debit card which is designed to integrate with the rewards or loyalty programs of participating clubs.
Corporate Governance	The system of rules, relationships, policies and processes by which a business is operated, regulated and controlled by.
Community Banking	A financial institution which is typically locally owned and operated and tends to focus on the needs of supporting and helping the local community where the institution is located.
Credit Union	A credit union is a member-owned financial co-operative. These institutions are created and operated by their members and profits are shared amongst the owners and future generations.
Customer Owned Banking	Alternative banking model to the listed model in retail banking and is made up of mutual banks, credit unions and building societies who aim to deliver great service, highly competitive pricing and an unmatched customer focus to their members.
Distribution network or channels	How we reach our members or how our members reach us. This can include the website, social media, Financial Services Stores or via our call centre.
Easy Street	Easy Street is an online only self-service financial services brand owned by Community First Credit Union.
Green Loan	The green loan is an unsecured personal loan that can be used to finance the purchase of approved environmentally friendly products such as solar panels and hot water systems.
Loans to members	Is the total amount owed to Community First from home loans, personal loans, credit cards and overdrafts.
Macro-prudential controls	Macro-prudential controls are approaches to financial regulation which aim to mitigate risk to the financial system as a whole.
McGrath Foundation	A breast cancer support and education charity in Australia, which raises money to place McGrath Breast Care Nurses in communities right across Australia, as well as increasing breast awareness in young Australian women.
Member	A member is a shareholder. A member ‘owns’ part of the credit union and can have their say of the credit union’s future at the AGM which is held annually.
Member Deposits	Consists of at-call savings, term deposits and membership shares
Mobile Banking App	A software application that is designed to run on mobile devices to enable members to do their banking on the go.
Mutuality	The concept that a financial institution exists for its members: being customer owned organisations, they are fully owned by their members. It is not a publicly-listed company and so, unlike the publicly-listed banks, don’t have the pressure to maximise profits to pay external shareholders. Instead under mutuality profits go back into better rates, fairer fees, responsible lending and outstanding customer service.

GLOSSARY

Net Promoter Score (NPS)	A metric used to measure member advocacy i.e. how readily a member would promote a product or service to friends, family members or colleagues.
New Payments Platform	Allows payments to be received almost instantly – 24/7 using just the member’s mobile number, email address or ABN, eliminating the need to share a BSB or an account number.
PayID	PayID is the name of the New Payments Platform addressing service. It’s a function of the platform that allows consumers to link financial accounts to easy-to-remember pieces of information such as phone numbers and email addresses.
Products	Products are banking products that are created by Community First. These can be items such as credit cards, home loans, term deposits and transaction accounts.
Financial Services Royal Commission	A Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry which was established on 14 December 2017.
Starburst Day	Is the Bank’s staff development day that is held annually.
Total Assets	Is the total of all Community First assets.
Total Members' Equity	Is the accumulated profits and reserves held by Community First.

ABBREVIATIONS

AASB	Australian Accounting Standards Board	ECL	Expected Credit Loss
ADI	Authorised Deposit-taking Institution	EOWA	Equal Opportunity for Women in the Workplace Agency
AFSL	Australian Financial Services Licence	FSR	Financial Services Reform
ACL	Australian Credit Licence	FVOCI	Fair Value Through Other Comprehensive Income
AGM	Annual General Meeting	FVTPL	Fair Value Through Profit or Loss
ALCO	Assets and Liabilities Committee	GST	Goods and Services Tax
AIFRS	Australian Equivalents to International Financial Reporting Standards	HQLA	High Quality Liquid Assets
APRA	Australian Prudential Regulation Authority	ICAAP	Internal Capital Adequacy Assessment Process
ASIC	Australian Securities and Investments Commission	NPP	New Payments Platform
ATO	Australian Tax Office	NPS	Net Promoter Score
BEAR	Banking Executive Accountability Regime	OCI	Other Comprehensive Income
CAPE	Combined Australia Petroleum Employees	SPPI	Solely Payments of Principal Interest
COBA	Customer Owned Banking Association	VAR	Value at Risk
CUFFS	Credit Union Financial Support System	WHS	Work Health and Safety
CUSCAL	Credit Union Services Corporation Australia Limited		



1. **BANKSTOWN**
02 9735 1783
Bankstown RSL,
1 Meredith Street
2. **BLACKTOWN**
02 9735 1571
Blacktown Workers Club
55 Campbell Street
3. **CRONULLA**
02 8245 8270
Suit 109, Level 1
28-32 The Kingsway
4. **DEE WHY**
02 8245 8200
17-19 Oaks Avenue
5. **EDGEWORTH**
02 4393 8485
Shop 1, Building B,
720 Main Road,
Primewest Edgeworth
6. **ERINA**
02 4393 8480
Suite 1.03A, Platinum
Building, 4 Ilya Ave
7. **GOROKAN**
02 4393 8481
66-68 Wallarah Road
8. **LIVERPOOL**
02 9735 1782
107 Moore Street
9. **MT DRUITT**
02 9735 1781
Shop 11, Westfield
Mt Druitt
10. **NARELLAN**
02 9735 1784
Shop 309, Narellan
Town Centre
11. **PENRITH**
02 9735 1780
Shop 032, Nepean Village
12. **WARRIEWOOD**
02 8245 8230
Shop 18, Warriewood Square

