

ANNUAL REPORT



2024

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.



OUR MISSION

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

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FIVE YEAR SUMMARY



Total Assets:

The total of all Community First assets have grown by 6.3%.

Gross Loans to Members:

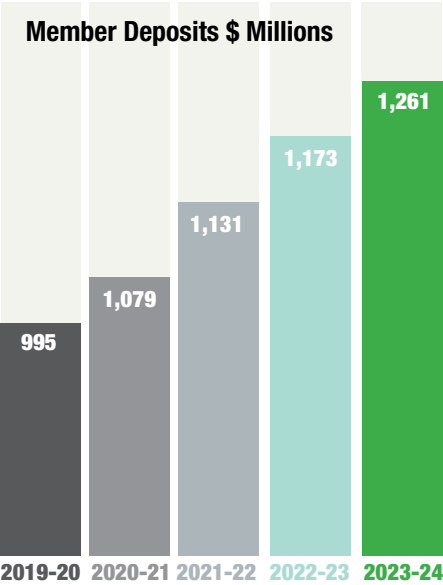
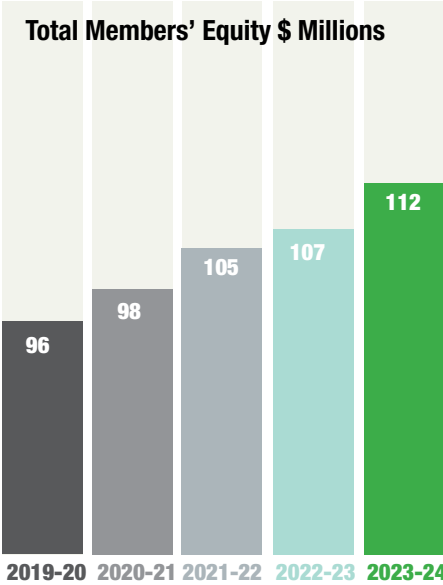
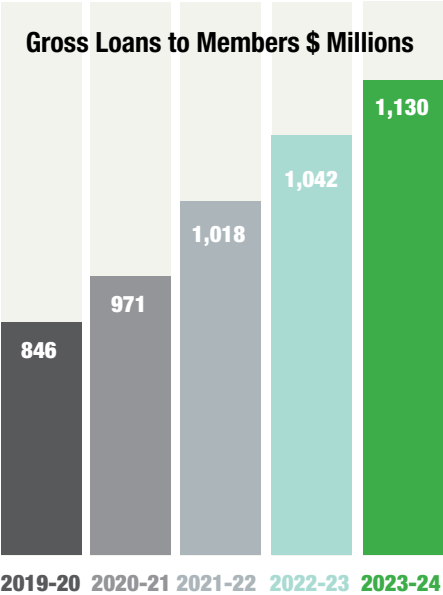
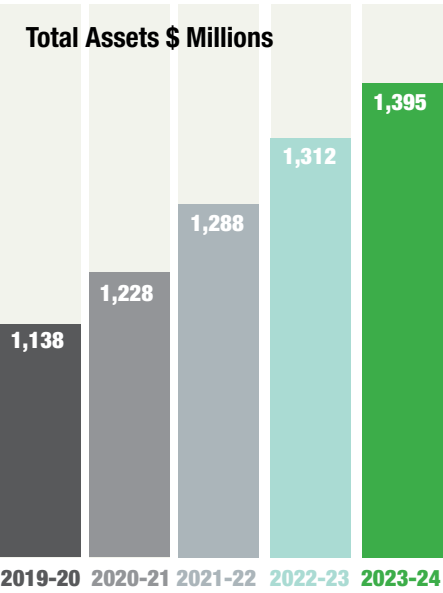
Gross Loans to Members is the total amount owed to Community First from home loans, personal loans, credit cards and overdrafts.

Member Deposits:

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

Total Members' Equity:

Total Members' equity now exceeds \$110 million. The business has never been stronger.





FIVE YEAR HISTORY

		2023-24	2022-23	2021-22	2020-21	2019-20
INCOME STATEMENT						
Total income	\$'000	70,015	49,706	34,201	36,238	43,093
Interest income	\$'000	62,667	44,300	28,000	29,777	36,369
Net interest income	\$'000	28,647	28,308	24,753	23,922	24,042
Impairment losses on loans and advances	\$'000	494	437	393	424	580
Operating expenses ¹	\$'000	29,690	28,103	27,581	27,438	29,017
Operating profit after tax	\$'000	4,157	4,009	2,704	2,002	1,078

STATEMENT OF FINANCIAL POSITION						
Total assets	\$'000	1,394,994	1,311,779	1,287,524	1,227,994	1,137,889
Gross loans and advances to members ²	\$'000	1,129,510	1,042,415	1,017,921	970,846	845,618
Provision for loan impairment	\$'000	1,941	1,785	1,720	1,611	1,611
Member deposits	\$'000	1,260,824	1,172,523	1,131,002	1,078,894	1,006,146
Total Members' equity	\$'000	112,422	106,992	104,521	98,375	96,087

RATIO ANALYSIS						
Total revenue to average assets	%	5.09	3.82	2.67	3.06	3.86
Operating expenses to average assets	%	2.15	2.16	2.15	2.32	2.6
Net profit after tax to average assets	%	0.30	0.31	0.21	0.17	0.10
Net profit after tax to average equity	%	3.82	3.76	2.7	2.07	1.14
Net interest margin to average assets	%	2.08	2.18	1.97	2.02	2.15
Provision for loan impairment to average loans	%	0.18	0.17	0.17	0.18	0.19
Net assets per Member	\$	1,898	1,905	1,910	1,801	1,742

STATISTICAL INFORMATION						
Number of Members ³		59,247	56,156	54,742	54,599	55,226
New Members		6,988	5,191	4,389	4,513	4,555

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

We celebrate the end of another successful year and acknowledge that we remain as relevant now as we were in 1959 when our journey began.



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. This simple statement continues to differentiate a customer-owned bank from the larger listed entities that are expected to deliver dividends to external shareholders.

I am delighted to report that Community First continues to build strength and resilience as it grows to meet the challenges of the future and the ever-evolving needs of our members. The business continues to be as relevant in 2024 as it was in our founding year of 1959, as more members seek to achieve their financial goals and seek trusted partners to help with their needs. The cost of living increases of recent years have impacted Australian communities, including many of our members. In particular, a longer term fiscal approach is required to address the imbalance between members' needs for more affordable housing and rental options.

Community First has maintained a solid Net Interest Margin in an era of rising interest rates. Whilst the organisation does not expect to see another period of very low interest rates (and hopefully never sees another pandemic), it is continually poised to change and alter its business model for the benefit of members. The Reserve Bank of Australia has increased the official cash rate to 4.35% and whilst this rate should be viewed as a more "normal" policy setting, it has created undesired consequences for borrowers who may have borrowed larger amounts. On that basis, I am also pleased to report that Community First has one of the lowest arrears statistics of 0.26% over 30 days. This demonstrates our business focus on better value finance, not riskier finance.

The highlights of this year's financial results are a Net Profit After Tax at \$4.157 million, even with the challenging and complex task of trying to negotiate a merger with a like-minded partner. Our balance sheet remains robust, with total assets now approaching \$1.4 billion, representing annualised balance sheet growth of 6.3%. However, it is the underlying demand for our products and services that provides the Board and management's motivation to seek like-minded partners and merger opportunities. Community First has continued to experience strong demand for its products over the last few years, and due to the need to maintain prudent capital limits, we have been unable to grow more quickly. Accordingly, we must continue to slow our balance sheet growth during the year without access to additional capital.

Positioning for the future

Community First has maintained a consistent strategy involving a multi-channel distribution strategy with high standards of service that builds on the niche which created the business in 1959. The original members of Community First sought alternate financial solutions to meet their needs

and those motivations continue to exist in 2024. However, the cost of meeting an often complicated regulatory regime in Australia continues to burden even the biggest listed banks. The larger banks have sustained substantial brand damage over recent years when they have put profits before people. But due to the member-owned structure of Community First, the choice of putting people before profits is always clearer, and Community First continues to meet the expectations of its members and the broader community.

Whilst Community First will always support the lobbying efforts of the Customer-Owned Banking Association (COBA) for a more proportional response to regulation, the bank's business continues to need to grow and adapt to ever-changing environmental demands and member needs.

The history of Community First includes many mergers and this inorganic growth has created the ability for the new organisation to adapt and change more quickly than it otherwise would. Therefore, whilst any merger proposal is ultimately subject to regulatory and member approval, the Board has submitted a proposal to regulators to consider a merger with Illawarra Credit Union. Subject to meeting the relevant regulatory hurdles, Community First will seek member approval for a proposed merger as soon as possible, with an outcome expected later in 2024.

A merger is often misunderstood. Rather than focus on less significant items such as which technology system to use, we remain focused on seeking opportunities to create new capabilities and a greater capacity to serve the needs of more members. Put simply, faster growth and extraction of synergies through the removal of duplicated resources creates more opportunity for capital than traditional operational initiatives and organic growth.

Accordingly, whilst organic growth will always be the primary driver to grow the business, inorganic growth that makes sense through a merger with like-minded partners, will continue to be considered where it makes sense for the members of Community First.

Fighting the increase in frauds and scams

Community First Bank has joined the Scam Safe Accord which sees Australian banks do more to try and prevent customer losses. This process will involve more friction to payments processes, with more checks and balances as additional investments in technology try and stop more scams.

However, a more coordinated response is needed including a holistic multi-business approach that encompasses telcos, social media and government. It also involves increased consumer awareness and capability in identifying scam attempts. Whilst the challenge of these issues rises with the increased use of technology in our daily lives, losses to fraud are not inevitable. In fact, the reality tends

to highlight that fraudsters move on to easier sites or victims to avoid detection. Therefore, increases to security through two-factor authentication, and more questioning over the phone to validate caller identity or motivations, can often quickly stop the scam.

Community First is always ready to help

Community First Bank is very confident that we will continue to be a viable banking alternative, meeting the needs of members and the wider community for many years to come. Our relevant prudential measures of capital and liquidity 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 valuable recommendations to friends and family. My gratitude also goes to our business partners for helping us achieve our mission and vision, my colleagues on the Board and all the staff for their commitment to making a difference to the financial goals of our members, whatever they may be.

Stephen Nugent
Chair of Directors

CEO REPORT

Community First has delivered a strong result that balances the capital needs of the business while continuing to support our members.

As a member-owned bank, the mutual business model requires the Board and management to balance the future needs of the business by building capital through increased profitability, while meeting the needs of members.

At times, this balancing creates short term tension in the business model because it is relatively simple to grow the balance sheet faster by lowering lending rates or to make more profits by cutting services. However, neither of these options create longer term business sustainability or require management to find new ways of delivering new and existing services.

Members in the Western Suburbs of Sydney may have seen the opening of our new Mount Druitt store in a new location, which provides a lower cost rental alternative, allowing some of the savings to be channelled back into a more modern design. The site features our “Bank” name. Similarly, Community First continues to build on its security measures to help protect members. One-time passwords, stronger passwords and important banking upgrades are just some of the more recent enhancements. Community First continues to monitor the impact of cyber-crime on the general community. Alongside ongoing member education, we will continue to invest in more ways to help protect members.

Community First Credit Union is now trading as Community First Bank for the simple reason that it helps new customers more easily identify the services a credit union provides. Whilst existing members have long known Australia’s “best kept secret”, we believe this knowledge should be shared with more customers.

The term “Bank” should reflect the additional security that a licensed Approved Deposit-taking Institution rightly carries. However, it should not, in our case, ever diminish the fact that we only exist for the benefit of members. As further evidence of Community First’s competitiveness, Easy Street, the online division of Community First, seeks to serve time-poor, internet-savvy consumers with an alternative way of banking. Therefore, I’m pleased to note that Easy Street Financial Services was awarded Mozo’s Best Small Mutual Bank of the year for the second year in a row.

Technology is an enabler that helps more members with simple tasks

The banking sector will continue to use technology to lower the cost of providing basic services in a more time-friendly manner, anytime, anywhere. However, this does not mean that human intervention for more complex services will be removed totally. In fact, the high standards of service on which Community First’s Net Promoter Score of 55 is built, will continue to be highly regarded – and required, in an environment that continues to impose more regulation on

John Tancevski
Chief Executive Officer
Member and owner since 2005

the banking sector. It is our job to help members navigate through the complexity of banking in 2024. In 2025, members should expect to benefit from revised and simpler lending and on-boarding applications, with more robotics in the back office, giving our more specialised staff additional time to deal with more complicated member requests. We remain intent on making the customer experience simpler and faster.

Opportunities to drive our business

Community First’s mission requires the organisation to help members achieve their financial goals. However, this mission does not attempt to dictate how this objective is achieved. This deliberate gap simply recognises that every member may require varying levels of staff assistance and intervention. On that basis, Community First does not judge or preclude what a member may be trying to achieve, it simply offers advice on the best way to achieve those goals through the use of our products and services.

For example, as the economy moves to a lower carbon future, Community First evolved its personal loan products to incorporate finance for brand new electric and hybrid cars and environmentally-friendly home improvements.

Contrary to many competitor banks, Community First has increased its personal loan book to over \$120 million in outstanding loans, which improves the yield on assets and creates a valuable source of non-interest income through monthly and application fees. Similarly, Community First’s long relationship with the McGrath Foundation to assist in the creation of breast care nurses across Australia continues to grow. On behalf of members, our pink credit and debit card portfolios have now donated over \$1.5 million to the McGrath Foundation.

We look forward to building upon this success so we can continue to provide a valuable source of revenue for the Foundation, which supports 233 McGrath Breast Care nurses in communities across Australia.

In a world of evolution, change is the only constant

Whilst the idea is old, the application is current. The pace of technological change and adoption by consumers for more of their daily lives has created a new and continually evolving landscape within which businesses must continue to find their niche. As a small and nimble financial institution, Community First is able to adapt quickly and build new solutions to old problems.

Reflecting this, we will continue to monitor the usage of cash in our stores. While this usage continues to decline each year, we will provide over the counter and Automated Teller Machine options to members as and when it makes sense. At Community First, we continue to believe that it is our role to provide members options on how and when they access their accounts.

Our history drives our future

In 1959 a group of depositors helped their colleagues, friends and family to borrow money. Community First is unwavering in its commitment to its members and community, and our success will be measured by the continued use of our services by new and existing members.

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

Finally, I would like to thank members for being the greatest advocates among friends and family, and for promoting competition for banking services. I also share my gratitude to Community First staff for their unwavering commitment to serve members and ongoing feedback that provides management with constant input.

Whilst it is not our objective to predict the future, the review of history suggests that an organisation continually focused on serving its members’ needs should remain confident that there will be many future opportunities for Community First to explore.

John Tancevski
Chief Executive Officer

THE VALUE WE CREATE

A practical approach to environmental and sustainable initiatives.

Community First helps members achieve financial goals through savings and borrowings, and an intergenerational profit-sharing model, leveraging past members' product usage for present members' benefit. As a member-owned and community-focused organisation, **Community First exists only for the benefit of members.** It was created in 1959 under the principles of mutuality, and Community First continues to uphold these 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 winding up.

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

Community First'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.

We maintain a focus on providing solutions that match the circumstances of our members to help them achieve important outcomes. We do this through our suite of flexible, fully featured savings and loan products coupled with a commitment to responsible lending. This focus has underpinned the sustainable growth of the organisation. Today, Community First has a balance sheet of more than \$1.4 billion, and we have exceptionally low arrears of just 0.26% over 30 days.

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. The organisation was an early adopter of environmentally sustainable initiatives, with the launch of our popular low rate Green Loans in 2006.

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.

Identification of sustainability impacts and topics

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.

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 ingrained 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** for the right circumstances is important for member outcomes. 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.

We also consider the impact of depositors and borrowers every time we make a rate change decision.

We work closely with members who fall into financial hardship to explore the available options to improve their financial position.

- **Keeping members safe**
Online scams and fraud continue to evolve, often with a devastating impact on victims. In the 2023/24 financial year, over 288,000 scams were reported across Australia, with more than \$326 million in reported losses. Community First has joined the fight against scams through the introduction in 2023 of a one-time password. We monitor unusual payments around the clock using the Vigil Fraud monitoring service, and we regularly engage with members to provide education on and awareness around scam prevention.
- We are pleased to report that as little as 0.60% of our member base was impacted by fraud during the financial year.

- **Forging strategic community partnerships**
Community First forges strategic partnerships with community groups that positively impact our members. Our long-standing partnership with the McGrath Foundation has seen Community First donate more than \$1.5 million to the support of McGrath Breast Care Nurses across Australia since 2009. The Bank is deeply committed to this cause, as one in seven Australian women will be diagnosed with breast cancer in their lifetime.

We have also supported Queenscliff SLSC for over 19 years in recognition of the outstanding work of the Club keeping community members safe at the beach.

During the financial year, we also supported Clubs NSW as a Silver Corporate Partner, and continued to raise funds for the Prostate Cancer Foundation of Australia (PCFA) by donating half the annual fee (\$20) from each Low Rate Blue Credit Card.

- **Mitigating housing affordability challenges**
Deteriorating housing affordability is impacting many Australians, and we have implemented a number of initiatives to make home-buying easier for our members. These initiatives include offering mortgage insurance, pricing specials and guarantees. Our participation in Housing Australia's Home Guarantee Scheme (HGS) is making a significant difference to our members' home ownership aspirations – today, 14.82% of our home loan portfolio has had some aspect of credit enhancement applied such as the HGS.
- **Identifying climate related risks**
Australia is not immune to extreme weather events including chronic heat waves, damaging storms and flooding and destructive bushfires. These events can cause damage to property, potentially altering the

value of security on loans, and leaving our members facing financial stress. Community First is making a difference through our Green Loans, which offer competitive rates to finance eco-friendly home improvements as well as new electric and hybrid cars. This is helping our members save on household costs while also lowering their environmental footprint. To date, the Bank has helped thousands of households switch to more eco-friendly options. Our personal loan portfolio, of which Green Loans make up a significant portion, grew by 40% in the 2023/24 financial year.

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:** Community First regularly stress tests its loan portfolio for climate risks or related exposures to any geographic location across our lending portfolio. We also employ the services of experienced valuers who provide external references to any potential exposures. Only 15.32% of the mortgage portfolio (\$152.6 million in lending exposures) would potentially fall into any higher risk exposure. These risks are adequately covered by the existing credit provisions and reserves.

A TANGIBLE DIFFERENCE

WHAT WE KNOW

Providing the right solutions for the right circumstances is important for member outcomes. Current interest rates and cost of living pressures create challenges for many consumers.

Unfortunately, scammers are constantly evolving to take advantage of opportunities to generate scams that often result in losses.

1 in 7 women will be diagnosed with breast cancer in their life with 58 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.

72 Australian men are diagnosed each day with prostate cancer, and about 11 Australian men will die each day from the disease.

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.

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.

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 costs¹.

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.

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.

WHAT WE DO

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 into hardship to explore available options to improve their financial position.

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.

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.

Community First has sponsored the Queenscliff SLSC for over 19 years.

We implemented initiatives to make home buying better value and/or happen sooner, such as offering mortgage insurance, guarantees and participation on the panel of lenders with the Home Guarantee Scheme since 2020.

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.

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.

QUANTIFIABLE IMPACTS

Community First's balance sheet has grown during the financial year, with our Personal Loan portfolio reaching a record high during the year.

Our arrears are exceptionally low with 0.26% over 30 days.

Less than 0.26% of our member base was impacted by some type of fraud during the financial year.

Member donations from the annual credit card fee now exceed \$1.5M since inception.

There are 233 McGrath Breast Care Nurses in communities across Australia who have supported more than 143,000 families since 2005.

There are 115 PCFA Nurses nationwide, 134 support groups and this year, a PCFA Nurse will support 2 in 3 newly diagnosed men.

QSLSC 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.

14.82% of our home loan portfolio has had some form of credit enhancement applied. I.e. low deposit loans.

To date, Community First has helped thousands of households make environmentally friendly improvements.

40% growth in our portfolio of personal loans YoY, of which green loans make up a significant portion.

Only 15.32% of the mortgage portfolio or \$152.6M 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>

2023 ANNUAL HIGHLIGHTS 2024

August 2023

We continued to uplift the security of our banking services and to better protect our members, we mandated the use of a one-time password to perform key functions via internet banking and the mobile app.

September 2023

We continued our journey to phase out cheques by retiring the use of bank cheques and acceptance of other financial institution cheques.

September 2023

Moody's Investors Service (Moody's) has assigned a first-time long-term issuer rating of Baa2 to Community First with a stable outlook.

April 2024

Community First donations to the McGrath Foundation reach a record high, having exceeded \$1.5M in donations from our pink cards since 2009.

February 2024

We converted just over 7,000 members to e-statements, helping to reduce paper wastage which is good for the environment, while adding convenience for members.

February 2024

Community First Green Loan has secured the prestigious Best Green Loan award for 2024 from RateCity.

January 2024

Community First united in Pink for the McGrath Foundation's Virtual Pink Seats campaign, purchasing 500 digital seats for the iconic Pink Cricket Test. Funds raised help the McGrath Foundation to fund an additional 250 McGrath Breast Care Nurses by 2025.

June 2024

We unveiled a new look store in Mt Drutt, boasting an updated contemporary design that reflects our commitment to innovation and member-centric banking.

June 2024

Easy Street was crowned the 2024 Best Small Customer Owned Bank by Mozo, for the second year in a row.

March 2024

Community First named best car loan for EVs in Finder awards. The Community First Low-Rate Credit Card was named Highly Commended in the Best Low Rate Credit Card category of the 2024 Finder Credit Card Awards.

May 2024

In a step that will provide opportunities for all our members and staff, Community First Bank and Illawarra Credit Union announced their intention to merge.

February 2024

Easy Street was crowned Home Loan Provider of the Year in Finder's Home Loan Awards which called out the best home loan offerings on the market across 12 awards categories to find the best overall home loan provider.

OVERVIEW OF OUR PROGRESS DURING THE FINANCIAL YEAR

As a member-owned bank, Community First has an unwavering belief that our annual report plays a key role in keeping members up to date with events that have affected the bank, the banking industry and the wider community.

This is definitely the case for our 2023-24 financial reports, which reflect on a time that coincides with an abrupt halt to historically low interest rates, leaving many Australians facing a cost-of-living crisis.

As a member-focused organisation, we have been mindful of the need to support members with borrowings while also rewarding members with savings with a competitive rate. It has not always been an easy line to tread. Our focus always remains on putting our members' needs first, and reinvesting profits for the benefit of those members as opposed to paying dividends to shareholders who may not be customers of the bank.

Key milestones achieved

We are pleased to report that the 2023-24 financial year has seen Community First achieve a number of critical milestones. As a bank, our total assets are now over \$1.4 billion. This has been achieved through the execution of effective strategies.

The value that Community First offers has been demonstrated through industry awards bestowed through 2023-24 for products as diverse as our Green Loans for eco-friendly home improvements through to funding for money-saving electric vehicles through our Green Car loans. As a result our personal loan portfolio grew by more than 40% this financial year.

A dedicated team of committed people

We know that financial value means a lot to our members. But so does outstanding service. Community First continues to make an exceptional investment in our people. And this has been reflected in high retention rates.

The financial year saw 20 of our employees celebrate significant employment milestones ranging from five to 40 years of service. It's quite a track record! And we believe that this sort of tenure gives our members the reassurance of staff continuity, so that the same friendly faces will be there to support our members over the long term.

As always, we support our up and coming staff through leadership training, giving members – and the bank – the benefit of strong leaders extending well into the future.

Ongoing community support

As our name suggests, Community First has always been dedicated to meeting the needs of the people who live and work in the communities we serve.

While the growth of online banking may have blurred these boundaries, we nonetheless focus our charitable support on several key causes. Community First is a long term supporter of the McGrath Foundation, which funds breast care nurses across

Australia, and our donations are something we are especially proud of as this support derives from our member base.

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. As a supporter of the McGrath Foundation since 2009, Community First Bank has raised donations totalling more than \$1.5M for the Foundation over the past 15 years.

We have supported other causes too. Half the annual fee from our Low Rate Blue Credit card is donated to the Prostate Cancer Foundation of Australia. We are also a major sponsor of the Queenscliff Surf Lifesaving Club, and we partnered with ClubsNSW as a Silver Corporate Partner who also make a valuable contribution to their local communities.

A focus on protecting members

At all times, we remember our mission – to enhance the financial wellbeing of our members. We actively engage our members with educational information on scam awareness to help empower them against the threat of scams. Importantly, we invested in enhanced security features that include two-factor authentication to act as an added layer of protection for members.

A strong member-owned bank

Our efforts to balance good management with the diverse needs of our members has paid off. Community First ends the 2023-24 financial year with a strong balance sheet that includes total assets of almost \$1.4 billion, representing annual growth of 6.3%.

What does the future hold? At the time of writing the world faces many uncertainties. But some things will never change. This includes the commitment of Community First to give our members the best possible value for their money.

This commitment is also driving a proposed merger with Illawarra Credit Union.

In a market where high compliance costs can have a disproportionate impact on small financial institutions, it can make good business sense for like-minded businesses to join forces.

After extensive due diligence through 2023-24, Community First believes a merger with Illawarra Credit Union will create significant cost savings and deliver valuable member benefits such as affordable access to new technologies.

The merger is subject to approval by APRA and members which we expect to conclude in late 2024. In the meantime, our members can rest assured that Community First is a strong and sustainable bank – one that offers a real alternative, and that our focus on members and communities is as strong as it was when we first launched back in 1959.

HELPING MEMBERS SAVE ON KEY COSTS

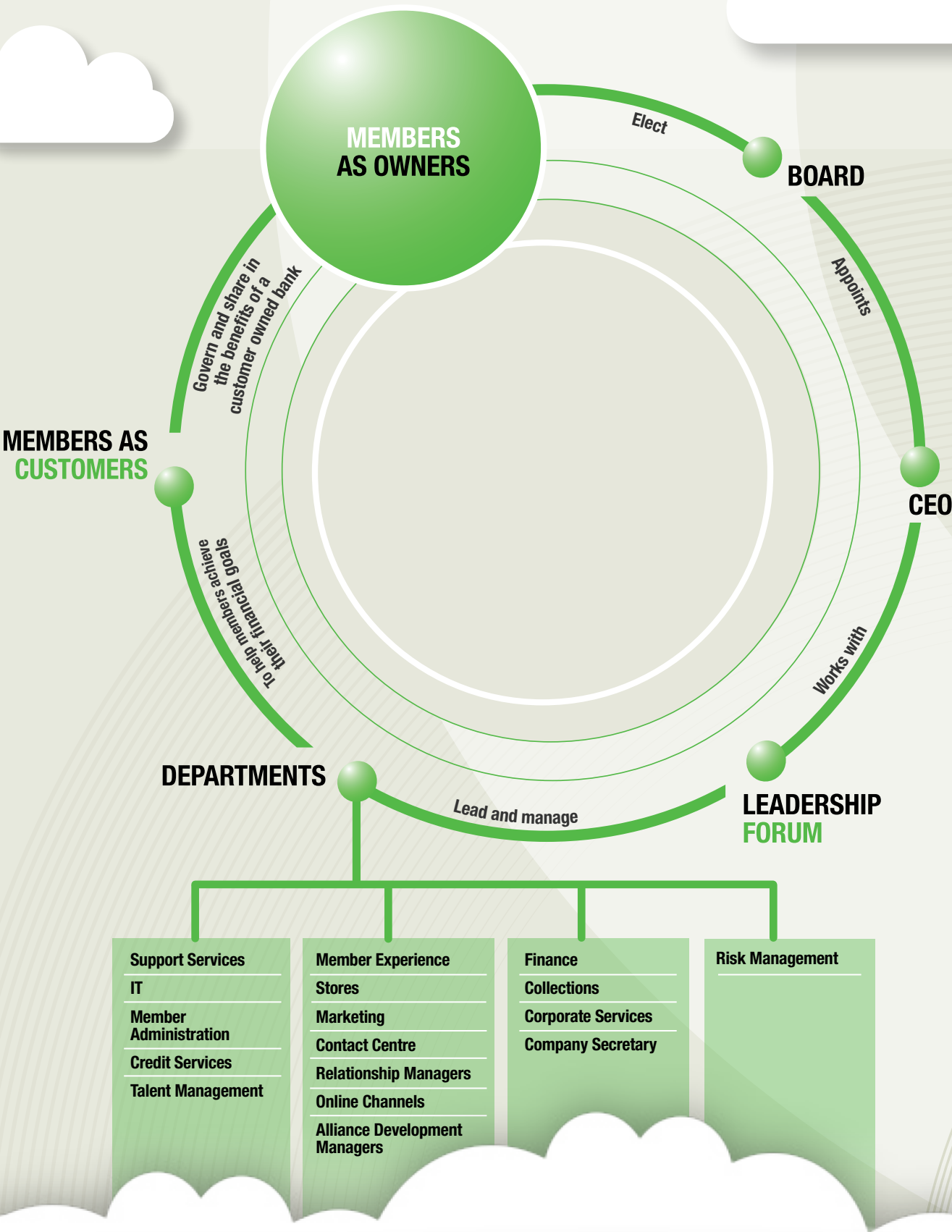
We understand that for many of our members, a cost of living crisis is putting personal finances under pressure. Community First is offering money-saving solutions through our suite of 'green' loans.

Our green loans were first launched during the drought of 2006, but the product remains especially relevant at present, when household power bills are soaring. Today, Community First gives Australians the opportunity to borrow to fund a range of 'green' initiatives, from installing rainwater tanks to adding rooftop solar panels, that can provide welcome relief on utility bills.

Similarly, our award-winning Green Car Loan product is proving immensely popular as a rising numbers of motorists opt for an electric or hybrid vehicle.



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 management decision making committee through which all business decisions and policies are implemented, and its participants include the Chief Executive Officer (CEO), his direct reports, and relevant operational business unit managers.

JOHN TANCEVSKI Chief Executive Officer and Company Secretary Member and owner since 2005 B.Comm (Accy), FCPA, MBA GAICD	JEMMA GEORGITSIS Collections Manager Member and owner since 2006
HUNG TRUONG Chief Financial Officer and Company Secretary Member and owner since 1999 B. Commerce (Accounting), FCPA	ROBERT BATTYE Head of IT and Analytics Member and owner since 2013
WAYNE WRIGHT Acting Chief Risk Officer Member and owner since 2019.	SCOTT TODD Head of Credit Services Member and owner since 2018
BEN IRONS General Manager - Member Experience Member and owner since 2013 Dip FS (Financial Planning), BBus, MBA	TRACEY JACKSON Talent Manager Member and owner since 2002
ALETIA FYSH General Manager - Marketing and Product Member and owner since 2007 BBus (Marketing)	

OUR MEMBERS

Our members remain at the heart of everything we do.

During the financial year Community First made it a priority to support members through what was a challenging time for many. Community First takes great pride in our diverse array of members – from junior savers to first home buyers, growing families, and retirees. However, this diversity calls for us to consider the needs of many different members.

While the Reserve Bank of Australia (RBA) increased the official cash rate just once in 2023-24, it followed 12 rate hikes in the previous year. This left many Australians managing higher home loan repayments amid a cost of living crisis. At the same time, Community First also has members with significant savings and investments. As always, we have aimed to balance the interests of borrowers and depositors while ensuring we responsibly build on the strength of the bank.

Security and keeping our members safe

During the financial year we introduced a new layer of security, a one-time password, to better protect our members. The one-time password has been mandated for members to perform key functions via internet banking and our mobile app.

In addition, when members complete a number of actions such as updating their contact details or sending money to a payee for the first time, they receive a once-only, random password (the 'One Time Password') via their mobile phone, which they are prompted to enter.

This provides an added layer of security. In the unlikely event that a member's mobile app or Internet Banking access is compromised, the member still has the benefit of the One Time Password to authorise a login or request to move funds to a new payee.

We remain committed to ongoing education to protect our members against scams. We regularly post articles on our website, newsletters and social media to keep members up to date with common scams, and offer tips for members to protect themselves.

A commitment to outstanding customer service

We continued to build our brand, market our products and leverage our relationships across the business community and our member base. As a result, Community First achieved asset growth of 6.3% through the financial year while also growing our member numbers.

Even amid this growth, we achieved a pleasing Net Promoter Score (NPS) of 55 after laying the foundations of a new digitally-led NPS survey, which will underpin our NPS score in the future. In Australia's competitive financial market we know that member experience matters.

Reflecting this, we continued to promote our outstanding customer review rating from ProductReview.com.au and Google Business reviews. The bank has now received over 1,000 reviews across both platforms, lifting our ProductReview.com.au star rating to 4.5 for Community First and 4.4 for our online brand Easy Street.

Our evolving store network

In 2023-24 we ushered in a fresh era of community-focused banking, relocating our Mt Druitt store to a new site in early June. It saw us open the doors to a fresh, contemporary store design that reflects our commitment to innovation and member-centric banking.

The new Mt Druitt store features a layout that has been meticulously planned to create a positive experience, ensuring convenience and accessibility, and we hope our members enjoy the new experience.

Valued packed, award-winning products

Once again, the financial year saw a number of industry awards bestowed on Community First – testimony to the outstanding value we offer members. The Community First Low-Rate Credit Card was also named Highly Commended in the Best Low Rate Credit Card category of the 2024 Finder Credit Card Awards.

Easy Street was no exception either, being crowned Home Loan Provider of the Year in Finder's Home Loan Awards, which called out the best home loan offerings on the market across 12 awards categories to find the best overall home loan provider. Easy Street was also recognised as the 2024 Best Small Customer Owned Bank by Mozo for the second year in a row.

Positioning for future growth and new opportunities

In a step that will provide opportunities for all our members, the financial year saw Community First Bank and Illawarra Credit Union announce their intention to merge. This is a significant step. The merger will see members benefit from access to enhanced technological capabilities and greater physical distribution. It also gives our resources a boost, allowing us to better meet our ongoing prudential and regulatory obligations while increasing our focus on innovation, enhanced customer experiences and growth.

Following the successful completion of a due diligence process, the merger of Community First and Illawarra Credit Union is now awaiting formal approval from bank regulator – the Australian Prudential Regulation Authority (APRA). If all goes to plan, the merged entity will have almost 80,000 members and customers, and combined assets of approximately \$2.5 billion. In a competitive banking market, this will give the merged entity valuable strength.

Our members will have a say in the merger. Following APRA approval, a member vote on the merger will take place in late 2024 at the Annual General Meetings of Community First and Illawarra Credit Union. We will keep members informed about where and when the AGM will take place and how they can have a voice in the proposed merger. If the merger proceeds, there will be no forced staff redundancies. So, members of Community First will continue to be welcomed by the same friendly faces, with the same team commitment to great service.



OUR COMMUNITY

Since 1959, we have been passionate about making a positive impact to the communities in which our members live and work.



Our name 'Community First Bank' says it all. For over 65 years we have operated to support the financial needs of the communities we are part of. The past financial year saw this commitment continued, with a range of support measures delivered to a number of diverse community organisations.

Our support for the McGrath Foundation

Community First Bank's commitment to community engagement goes beyond traditional banking services, and our longstanding support of the McGrath Foundation reflects this. Community First Bank has been a proud supporter of the McGrath Foundation since 2009, having raised donations totalling more than \$1.5M for the Foundation over the past 15 years.

This outstanding result could not have been achieved without the support of Community First Bank 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. In addition, this year saw Community First Bank proudly support the McGrath Foundation's Virtual Pink Seats campaign by purchasing 500 Virtual Pink Seats for the iconic Pink Cricket Test. The Pink Test not only showcases exceptional sport but also serves as a platform to raise awareness and funds for McGrath Breast Care Nurses.

Our donations are helping to support the 233 McGrath Breast Care Nurses operating in communities across Australia, who have assisted more than 143,000 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. The need for skilled breast care nurses has never been greater. It is estimated that 58 Australians, mostly women, are diagnosed with breast cancer every day in this country, and the incidence is increasing. It costs around \$140,000 annually to fund a full-time McGrath Breast Care Nurse including training and development. Ongoing funding is needed to ensure no one with breast cancer misses out on this vital care.

Raising donations for the Prostate Cancer Foundation of Australia

Community First continued to raise funds for the Prostate Cancer Foundation of Australia (PCFA) by donating half the annual fee (\$20) from each Low Rate Blue Credit Card. The PCFA is aiming for a world where no man dies of prostate cancer, and Australian men and their families receive the support they need.

Each year more than 24,000 Australian men will be diagnosed with prostate cancer, highlighting the need for ongoing community support.

Supporting safer surf enjoyment through Queenscliff SLSC

Sea and surf is synonymous with the Australian way of life, and Queenscliff Surf Life Saving Club (SLSC) on Sydney's Northern Beaches, has been patrolling Queenscliff Beach and its surrounds, for 100 years, making the beach a safer place to enjoy, and 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, and during the financial year Community First once again sponsored the club.

Our sponsorship now spans almost two decades and each year has assisted with funding of a Community First branded surf life-saving boat. This year we were proud to support the club in purchasing a much-needed All-Terrain Vehicle (ATV) that will allow the surf life savers to easily patrol the beach and move life-saving equipment quickly to where it is needed.

We also sponsor the Queenscliff SLSC annual charity golf day to assist with the club's additional fundraising efforts.

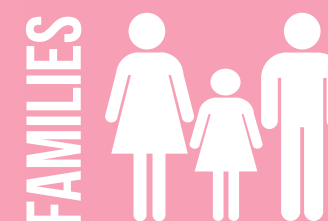
SUPPORTING
COMMUNITY
INITIATIVES

65 YEARS

\$1.5 MILLION
DONATIONS TO THE
MCGRATH FOUNDATION



MCGRATH FOUNDATION HAS
SUPPORTED MORE THAN
143,000
RIGHT ACROSS AUSTRALIA
SINCE 2005



OUR PEOPLE

As a member-owned bank we understand that our members want to be treated as individuals with unique financial needs, goals and challenges. To ensure each member enjoys the highest level of service, we invest heavily in our people, who are integral to achieving our strategic goals. In accordance with the requirements of the *Workplace Gender Equality Act 2012*, we lodged our annual public report with the Workplace Gender Equality Agency to confirm our compliance with the relevant legislation.

Initiatives to support employee wellbeing

Great customer service demands a skilled and motivated workforce, and Community First has been able to attract and retain quality people through a range of initiatives that support employee wellbeing, making our workforce a desirable place to be part of.

The initiatives available to our team include:

- Subsidised flu vaccinations
- Employee Assistance Program
- Flexible working arrangements
- Our work, health and safety (WHS) committee
- Articles and tools published via internal newsletter, and
- Participation in R U Ok day and similar events.

Regular training ensures a skilled team

Community First employs a full-time Training Facilitator in conjunction with subject matter experts within the business to provide tailored training for all staff. This training encompasses our Onboarding Induction Program, Sales & Service, Lending and Security Awareness as well as training to identify and support vulnerable members and financial abuse.

Our training programs are agile and can be adapted to both business and industry needs at short notice ensuring our training programs remain relevant to member needs at all times. Following the introduction in December 2022 of a positive duty on employers to prevent workplace sexual harassment, sex discrimination and victimisation, all businesses have a legal obligation to take proactive and meaningful action to prevent relevant unlawful conduct from occurring in the workplace. We take this responsibility very seriously. One of the immediate actions taken by Community First was to develop a Respect@Work policy, backed by training, which was rolled out to employees at all levels, including Directors.

This training was delivered in-person to encourage discussion on how we can put Respect@Work into practice across our workplace. Feedback from our people reflects just how valuable our training is. As one staff member noted, “The best thing by far are the people. Everyone is friendly and helpful.



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

From left: Sue Cebelinski, Ana Loketi, and George Harikopoulos.

I came from a totally different industry so there is a lot of training, but everyone is always willing to answer my questions”. Another Community First employee summed up the benefit of our ongoing training, saying, “Regular training sessions for staff ensure they have the necessary skills and knowledge to provide exceptional service. It’s through this regular training we can commit to rewarding our members”.

Amazing staff milestones

Each year we celebrate the milestones our people achieve, and in 2023/24 we saw some deeply impressive milestones. This highlights that Community First is a great place to work, and more importantly, it gives our members a wonderful sense of stability, and the reassurance of being supported by familiar faces.

Across the business, 20 staff celebrated noteworthy milestones of service ranging from five years of service with Community First through to an exceptional 40 years! In an era when many businesses struggle to retain employees, we are delighted to report that during the financial year, nine staff members reached their 20 year employment milestone with Community First. Indeed, a further 20 employees have been part of the Community First team for more than five years, giving our members the benefit of a 355 years combined experience.

We would like to thank each of these long-serving staff members for the contribution they make to the bank.

Developing tomorrow’s leaders

Leadership development is a critical aspect of a successful bank, and through the financial year we had a record 10 staff undertake additional training to gain Leadership and Management qualifications. Already, seven of our aspiring leaders have successfully completed their qualification.

Our staff typically receive positive feedback from the Registered Training Organisation (RTO) regarding the quality of their assessments, and their progress is proactively supported by Community First Bank.

As one participant noted, “The support and encouragement from the RTO, our Training Facilitator and my Manager has been incredible. Thank you Community First for the opportunity to further my qualifications”. Through the year, three staff members completed a Certificate IV in Leadership and Management, showcasing their potential as emerging leaders. Another four employees attained Diplomas of Leadership and Management, marking a milestone in their career advancement. An additional two employees are approaching the finish line of their studies – one for a Certificate IV and the other for a Diploma in Leadership and Management.

Expansion of our Contact Centre and digital channels

Our Contact Centre is the fastest growing team in Community First, and has expanded across Auburn, Gorokan and remote

locations to adapt to the needs of our members and the evolving ways in which members wish to contact us across our different brands.

Staff who support our digital channels are based in Australia and are fully trained to assist our members with their day to day needs and enquiries. The digitisation of key services including loan applications and account opening provides our members a speed of service to match their busy lifestyles.

However, we take the threat of cybercrime very seriously, and our skilled staff are at the frontline of guiding members to help minimise the impact of scams.

During the 2023-2024 financial year we added 10 new staff members to our Contact Centre. They each bring a diverse range of knowledge, experience and backgrounds in positions for our inbound and lending teams with 50% not having prior banking experience.

We have also seen an uptick in males joining the Contact Centre, with 15 males now in the team compared to seven in the previous financial year.

As always, we would like to extend our sincere thanks to the people who make up the Community First team. Your dedication, enthusiasm and exceptional commitment to customer service truly sets us apart as a member-focused bank.

OUR ENVIRONMENT

We have a long history of supporting eco-friendly initiatives through our innovative products, network of relationships and business practices



In recent years, environmental issues have driven much of the national conversation. Yet Community First has a long history of supporting eco-friendly initiatives through our innovative products, partnerships and business practices. With low-cost loans to help address a community need.

Green lending grows from strength to strength

Community First's journey into green lending began in 2006, when the Central Coast of NSW was facing a drought and residents were being asked to consider investing in domestic rainwater tanks to harvest rainfall and store water. Community First stepped in with low-cost loans to help address this important community need.

The product further evolved in response to the Federal Government's Home Insulation Program of 2009, and was embraced by customers across Australia. Following this, Community First's Green Loan has helped thousands of consumers enjoy the potential savings on utility bills that a greener home can provide. The product is available for eligible environmentally-friendly purposes, including (but not limited to) double glazing, LED lights, and solar panels and batteries.

Rising power bills are adding to the cost of living pressures facing many Australians. Recent surveys confirm that 82% of Australians are "concerned" about power prices, with more than 45% "very concerned". This is making solar very attractive to households, with Finder estimating

potential savings of \$400 per year per kW by installing solar, or possible annual savings of \$2,400 with a 6kW solar system².

Acknowledging the importance of these savings, we have aimed to make our Green Loan accessible to as many Australians as possible with loans available for as little as \$1,000 and terms from 1-10 years, with no penalty for early payout.

Over time, our network of relationships with solar providers and other aggregators has expanded Australia-wide. We have nurtured positive business relationships during this time, which have played an integral role in our distribution strategy. Credit eligibility criteria, terms and conditions apply.

Our personal loan portfolio now exceeds \$120 million, having grown over 40% year-on-year. While the portfolio encompasses car loans, loans for green home improvements and unsecured loans for any worthwhile purpose, green loans make up a significant portion of the portfolio, driving annual growth. We are proud to announce that Community First's Green Loan won Rate City's prestigious 2024 Gold Award for Best Green Personal Loan.

Driving demand with excellent value electric vehicle Loans

The financial year saw Community First continue our expansion of finance for new electric or hybrid vehicles, resulting in 95% growth in our Green Car Loan product.

This growth has not come by chance. The value our Green Car Loan offers together with the skill of our dedicated sales teams and referral networks has underpinned the successful expansion of the portfolio.

The Federal Chamber of Automotive Industries reports that consumers are increasingly turning to electric vehicles, which are enjoying rising market share³. Our Green Car Loan is meeting this demand, and can be used to finance the cost of a new electric or hybrid vehicle, with the option to add the cost of a charging station to the loan.

The financial year saw Community First's Green Car Loan evolve to allow for financing brand new electric motorbikes of \$10,000 or more.

Community First was crowned the winner of the Best Car Loan for Electric Vehicles in Finder's Car Loan Awards for 2024. In bestowing the award, Finder commented that "interest rates stole the show for Community First's Green Car Loan, which was the lowest amongst its competitors for that year", and noted that in a move away from many other lenders, Community First offered the same low rate no matter whether borrowers opt for a fixed or variable rate.

¹ <https://www.nielsen.com/news-center/2024/more-than-80-of-australians-concerned-or-very-concerned-about-power-prices/>

² <https://www.finder.com.au/energy/solar-power/solar-power-payback-calculator>

³ <https://www.fcai.com.au/strong-new-vehicle-sales-for-the-first-half-of-2024/>



HELPING MEMBERS REDUCE THEIR ECO-FOOTPRINT

During the year, just over 7,000 members transitioned to e-statements, helping to reduce paper wastage. This is good for the environment, saving tens of thousands of sheets of paper each year. E-statements are also convenient for members, and the cost savings for Community First can be redirected into other bank activities to ensure even better service for our members.

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 36 to 39 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.

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.

The Committees are:

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

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 external and independent surveys of directors' for similar types of organisations. 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



CORPORATE GOVERNANCE STATEMENT

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 123 full time, and 26 part time 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 66% female, our workplace encourages participation at all levels. Of our leadership positions, 33% are female and we currently support over 76% 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 committee is 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;

- recommending policies and guidelines for the process of disclosure of information from the Board to shareholders;
- facilitating effective communication between Board and Management;
- co-ordinating Community First's strategic planning process;
- co-ordinating the appraisal of Board skills performance review and the Director education program;
- developing Executive Management and Dire succession plans; and
- reviewing Board remuneration and recommend to the Annual General Meeting.



The members of the Committee during the year were:

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

*Mr Tancevski is not a member of the Remuneration sub-committee

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:

- 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;
- reviewing management's plans for mitigation of material risks;
- 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



CORPORATE GOVERNANCE STATEMENT

- considering the results of assurance activities within the 3-lines of defence model employed by the bank.

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

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 to the Board as to whether the Committee considers the nominee has demonstrated their ability to meet the requirements to be a Director of Community First.

During the year the members of the Committee were	
Chair	Members
P. Russell	S. Nugent
	J. Harvey



DIRECTORS' REPORT

The Directors present their report together with the financial report of Community First Bank (“Community First”), and of the Consolidated Entity, being Community First Bank and its controlled entities, for the financial year ended 30 June 2024 and the auditor’s report thereon.

Directors

The Directors of Community First Bank 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 and Remuneration Committee

Mr Nugent joined the Board as a Director in May 2002. Stephen has more than 40 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, retail banking, financial and property management, hospitality, retirement aged and home 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.

Nuria 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, and Chairman of Global Edge Network Limited.

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 from 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 – 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, 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	-	-	3	4	3	4	1	1
Mr Stuart Korchinski	Non-Executive	6	8	-	-	4	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	7	8	-	-	4	4	4	4	1	1
Mr Gary Thomson	Non-Executive	8	8	3	4	-	-	-	-	1	1

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

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 2024 was \$4.157m (2023: \$4.009m). The net interest income increased by \$338k with the net interest margin decreased 10 basis points to 2.08% from the previous year. Non-interest income increased by \$1.942m with loan and advances impairment losses increased by \$57k. The total operating expenses increased by \$1.587m.

Review of Operations

Total assets on balance sheet as at year end were \$1.395bn representing an increase of \$83.2m from the previous year. The loans portfolio increased by \$87.1m or 8.4%. Total deposits grew by \$88.3m 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 rising inflation which is putting pressures on the interest rate outlook and significant levels of ongoing volatility.

However, in that unusual environment, Community First continues to experience increased lending demand and volumes that resulted in loans pipeline being managed and control in accordance with liquidity and capital levels.

Merger Announcement

On 24 May 2024, two innovative financial institutions, Community First Credit Union (Operating as Community First Bank) and Illawarra Credit Union, announced their plans to merge.

In the competitive banking world, we’re always looking for opportunities to enhance the value we offer to our members. A merger with Illawarra Credit Union brings together a range of synergies and capabilities that will help position us for our next phase of growth.

The Board of Directors of Community First and Illawarra Credit Union have agreed to merge, positioning both organisations for future growth. Following the successful completion of a due diligence process, the merger of Community First and Illawarra Credit Union is now awaiting formal approval from bank regulator – the Australian Prudential Regulation Authority (APRA).

Following APRA approval, a member vote on the merger will take place in late 2024 at the Annual General Meetings of Community First and Illawarra Credit Union.

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

Apart from the proposed merger with Illawarra Credit Union, 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. If the proposed merger with Illawarra Credit Union goes to plan, the merged entity will have almost 80,000 members and customers, and combined assets of approximately \$2.5 billion. In a competitive banking market, this will give the merged entity valuable strength.

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 99 and forms part of the directors’ report for the financial year ended 30 June 2024.

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

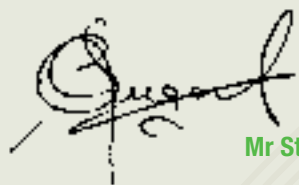
Acknowledgments

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.

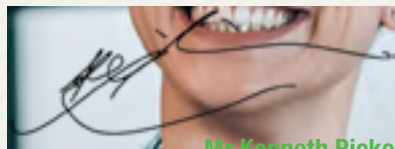
Dated at Sydney, NSW this 30th day of September 2024

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



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2024

Consolidated and Community First			
	Note	2024 \$'000	2023 \$'000
Interest income	5	62,667	44,300
Interest expense	5	(34,020)	(15,992)
Net interest income	5	28,647	28,308
Non-interest income	6	7,348	5,406
Impairment losses on loans and advances	7	(494)	(437)
Other expenses	8	(29,690)	(28,103)
Profit before income tax		5,811	5,174
Income tax expense	9	(1,654)	(1,165)
Profit for the year		4,157	4,009
Other comprehensive income			
Unrealised revaluations net of tax:			
Financial assets at FVOCI gains/(losses) during the year		1,273	(1,538)
Revaluation of property, plant and equipment		-	-
Total amount recognised directly in equity		1,273	(1,538)
Total comprehensive income for the year		5,430	2,471
Attributable to :			
Members of Community First		5,430	2,471

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the Financial Statements commencing on page 49.

STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED 30 JUNE 2024

Consolidated and Community First							
	Note	Redeemed Preference Share Capital \$'000	Retained Earnings \$'000	Business Combination Reserve \$'000	Credit Loss Reserve \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Opening balance at 30 June 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)
Transfer of share redemption		8	(8)	-	-	-	-
Closing balance at 30 June 2023		498	82,647	12,002	2,452	9,393	106,992
Opening balance at 01 July 2023		498	82,647	12,002	2,452	9,393	106,992
Total comprehensive income for the year							
Profit for the year		-	4,157	-	-	-	4,157
Other comprehensive income							
Financial assets at FVOCI	27	-	-	-	-	1,273	1,273
Transfer General Reserve for Credit Losses to Retained Earnings	25	-	2,452	-	(2,452)	-	-
Transfer of share redemption		9	(9)	-	-	-	-
Closing balance at 30 June 2024		507	89,247	12,002	-	10,666	112,422

The Statement of Changes in Members' Equity should be read in conjunction with the Notes to the Financial Statements commencing on page 49.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

Consolidated and Community First			
	Note	2024 \$'000	2023 \$'000
ASSETS			
Cash assets	10	10,038	21,398
Receivables due from other financial institutions	11	222,488	218,100
Loans and advances	12	1,127,188	1,039,990
Financial assets at FVOCI	14	10,630	8,812
Intangible assets	15	502	763
Accrued receivables	16	4,606	3,423
Property, plant and equipment	17	18,101	18,227
Right of use assets	18	1,441	1,066
Total Assets		1,394,994	1,311,779
LIABILITIES			
Deposits	19	1,260,824	1,172,524
Payables	20	12,661	7,531
Provisions	21	4,573	4,025
Lease liabilities	22	1,467	1,144
Interest bearing liabilities	23	-	16,917
Income tax provisions	25	698	464
Net deferred tax liability	25	2,349	2,182
Total Liabilities		1,282,572	1,204,787
Net Assets		112,422	106,992
MEMBERS' EQUITY			
Redeemable preference share capital account	26	507	498
Reserves	27	22,668	23,847
Retained earnings	28	89,247	82,647
Total Members' Equity		112,422	106,992

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements commencing on page 49.

STATEMENT OF CASH FLOWS FOR THE FOR THE YEAR ENDED 30 JUNE 2024

Consolidated and Community First			
	Note	2024 \$'000	2023 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		62,557	43,377
Dividends received		989	406
Non-interest income received		7,054	4,941
Interest paid		(24,355)	(9,899)
Payments to suppliers and employees ^a		(34,092)	(27,452)
Income tax paid		(1,799)	(581)
Net increase in deposits		88,301	41,521
Net (increase) in members' loans		(87,692)	(24,365)
Net cash provided by operating activities	29 (b)	10,963	27,948
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		32	57
Net (increase)/decrease in investments		(4,388)	5,069
Purchase of property, plant and equipment		(345)	(433)
Purchase of intangible Assets		(10)	(802)
Net cash provided by/(used) in investing activities		(4,711)	3,891
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities ^b		(695)	(795)
Repayments of borrowings		(16,917)	(24,000)
Net cash used in financing activities		(17,612)	(24,795)
Net (decrease)/increase in cash held		(11,360)	7,044
Cash at beginning of the financial year		21,398	14,354
Cash at the end of the financial year	29 (a)	10,038	21,398

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements commencing on page 49.

^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



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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

Community First Bank ('Community First') is a company domiciled in Australia. The financial statements for the year ended 30 June 2024 comprise Community First Bank 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 30 September 2024.

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** – Contingencies

Ongoing and emerging risks continue to impact key estimates and judgements

The current environment, although improved from that at June 2023, remains challenging with elevated pressures from persistent inflation and higher interest rates, monetary policy uncertainty, labour market constraints, continuing global tensions and impacts from climate change which contribute to an elevated level of estimation uncertainty.

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 38.

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

(c) 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 2021-2 Amendments to Definition of Accounting Policies and 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.
- (b) **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 do not have significant impact on these Financial Statements and therefore the disclosures have not been made.
- (c) **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 2024. 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 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.

ii. **AASB 18 Presentation and disclosure in Financial Statements**

Aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information. The standard will change how companies present their results on the face of the income statement and disclose information in the notes to the financial statements. There will be three new categories of income and expenses, two defined income statement subtotals and one single note on management-defined performance measures.

These amendments are not expected to have significant impact on these Financial Statements and therefore the disclosures have not been made.
- (d) **Other Developments with Sustainability Reporting Standards**

During the year the International Sustainability Standards Board (ISSB) published the following sustainability reporting standards:

 - IFRS S1 General Requirements for Disclosure of Sustainability related Financial Information, which sets out the overall requirements for sustainability related financial disclosures. and
 - IFRS S2 Climate Related Disclosures, which will require the disclosure of information to enable the users of financial statements to understand the reporting entity's governance, strategy, risk management, metrics, and targets in relation to climate related risks and opportunities.

In Australia proposed sustainability standards have been issued with legislation currently tabled under review in Parliament under the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (Cth)*. This will require the Consolidated Entity to commence reporting in the financial year commencing 1 July 2027.

With the growing importance of sustainability related disclosures Community First Bank is continuing to assess and prepare for future sustainability and climate related reporting obligations.

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:

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- 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.

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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 2024 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 – Continued uncertainty on key estimates and judgements for specific information relating to the current environment.

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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 ^a. 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 estimates 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 (months)
Personal Loans	24
Car Loans	25
Overdraft/overdrawn savings	36
Credit Cards	15
Home Loans	53
Commercial Loans	98

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.

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.

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.

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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.

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• **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. Judgment 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) Continued uncertainty have impacted key estimates and judgements.

- The current environment, although improved from that at June 2023, remains uncertain and challenging. Risks to economic stability include: ongoing and emerging global tensions, elevated pressures from persistent inflation and higher interest rates, monetary policy uncertainty, labour market constraints and impacts from climate change.
- The challenges of economic risks in the environment require cautious outlook and elevate the level of estimation uncertainty.

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.

Collective assessments

In estimating collective assessed ECL the Consolidated Entity makes judgements and assumptions in relation to the selection of ECL inputs, assumptions and independencies between these inputs.

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.

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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.

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.

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.

Management adjustments (overlays)

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.

Changes and considerations for year end 30 June 2024

The determination of SICR was consistent with prior periods.

It is expected that 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 continued uncertainty of economic path is addressed in additional stress applied to the downside ECL scenario in probability of default and default rates.

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 2024 ECL estimate.

During the second half of the financial year the base case assumptions have been updated to reflect the moderation in inflation and that delinquency in the base case had now peaked.

The probability weightings for each scenario remained unchanged from 30 June 2023. This reflects the continued uncertainty and downside risk of high interest rates, persistent inflation, monetary uncertainty and global tensions.

The Consolidated Entity has undertaken scenario analysis with expectations of ongoing downside uncertainty. 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 have continued to apply a number of adjustments to the modelled ECL. These adjustments have been undertaken in the context of changing 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; storm and decarbonisation collateral exposure.

Adjustments were reversed during the year for additional default risk which did not eventuate with the repricing of fixed rate mortgage portfolio to higher rates and growth in the unsecured Personal Loan portfolio.

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Modelled provision for ECL

The modelled provision for ECL at 30 June 2024 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, households and credit portfolios have continued to demonstrate persistent resilience and underlying strength in the ongoing challenging environment largely due to the strong base of low unemployment and accumulated savings. The current environment remains challenging with risks, although improved from that at June 2023, to economic stability by: ongoing and emerging global tensions, elevated pressures from persistent inflation and higher interest rates, monetary policy uncertainty, labour market constraints and impacts from climate change. There is continued expectation of emerging uneven impact from the slowing economy.

To appropriately reflect ongoing downside uncertainty, the downside scenario was continued to be adjusted for a higher rate of arrears and defaults. The base scenario and upside scenario were adjusted for an overall improvement in outlook from that of at June 2023. The downside scenario includes arrears adjustments with slightly improvement to probability settings but retaining the greater defaults rate applied as at June 2023. The base scenario settings make no adjustments to current probability of arrears and default rates, whilst the upside scenario is an improvement on the base case.

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 (overlays)

Management have continued to apply overlay adjustments for inherent risks not captured by the ELC model for mortgage collateral exposure and environmental risk.

The additional overlay for Environmental risk adjustment has been included for identified potential flood, bushfire, storm and decarbonisation 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 2024.

Sensitivity Analysis	\$'000
Reported probability weighted ECL	1,941
100% base scenario	1,734
100% downside scenario	2,847
100% upside scenario	1,259

The following table indicates the model scenario weightings applied by the Consolidated Entity at 30 June 2024.

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

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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 2024 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

:

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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.

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

	2024	2023
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.

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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

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incremental borrowing rate. Generally, the Consolidated Entity uses its incremental borrowing rate as the discount rate.

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 22 in the statement of financial position.

The Consolidated Entity entered into four new leases during the year ended 30 June 2024. The weighted average incremental borrowing rate applied to new lease liabilities recognised in the statement of financial position is 8.03%.

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.

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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.

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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.

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Exposure to Credit Risk – Loans and Advances to Members

	2024 \$'000	2023 \$'000
Gross amount	1,129,510	1,042,415
Collectively impaired		
30 days & less than 60 days	303	182
60 days & less than 90 days	191	87
90 days & less than 182 days	394	211
182 days & less than 273 days	268	16
273 days & less than 365 days	76	-
More than 365 days	44	-
Gross amount	1,276	496
Overdrawn/Overlimit		
Less than 14 days	14	8
14 days & less than 90 days	59	22
90 days & less than 182 days	27	33
182 days & over	30	-
Gross amount	130	63
Past due but not impaired *		
*Category 1 – Adequately secured mortgage loans		
30 days & less than 60 days	465	2,362
60 days & less than 90 days	-	804
90 days & less than 182 days	236	996
182 days to 273 days	239	-
273 days to 365 days	561	-
365 days & over	-	-
Gross amount	1,501	4,162
Neither past due nor impaired		
Loans and advances	1,126,603	1,037,694
Allowance for impairment	(1,941)	(1,785)
Deferred loan fees and expenses	57	45
Unearned income	(438)	(685)
Total carrying amount	1,127,188	1,039,990
Includes accounts with renegotiated terms	5,935	3,386

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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

	2024 \$'000	2023 \$'000
Past due but not impaired	1,501	4,162
Collateral - Property	5,026	8,816
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 2024, the Consolidated Entity took possession of \$649k collateral (30 June 2023: 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:		
	2024 \$'000	2023 \$'000
Residential loans*	972,154	925,824
Personal loans	119,883	83,064
Commercial loans	11,258	8,624
Revolving Credit	4,055	4,511
Credit Cards	22,160	20,392
Total gross loans	1,129,510	1,042,415

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

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

	2024 \$'000	2023 \$'000
LVR		
LVR 0% to 60%	427,499	409,962
LVR 60% to 80%	413,993	366,744
LVR 80% to 90%	112,794	126,763
LVR 90% to 100%	24,519	22,773
LVR > 100%	-	-
Total residential mortgages	978,805	926,242

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:

	2024 \$'000	2023 \$'000
Long Term Rating Standard & Poor's		
AA-	77,526	70,907
A+	20,247	49,368
A	-	-
A-	15,500	17,442
BBB+	84,876	32,112
BBB	34,377	51,856
BBB-	-	17,813
Total	232,526	239,498

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 2024 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.

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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 2024 the Consolidated Entity holds a total liquidity ratio of 17.1% (2023: 18.7%) in the form of Minimum Liquidity Holdings (MLH) 15.8% (2023: 17.0%) and non-MLH 1.3% (2023: 1.7%).

Exposure to Liquidity Risk

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

	2024	2023
At 30 June (MLH)	15.80%	17.00%
Average for the period	16.50%	17.90%
Maximum for the period	18.10%	20.10%
Minimum for the period	15.30%	16.20%

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 2024							
Deposits	19	1,260,824	(1,275,946)	(762,419)	(150,546)	(302,563)	(60,418)
Payables	20	12,661	(12,661)	(12,661)	-	-	-
Interest bearing liabilities	22	-	-	-	-	-	-
		1,273,485	(1,288,607)	(775,080)	(150,546)	(302,563)	(60,418)

	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)

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 2024 is \$4,755,557 (2023: \$2,767,058).

A summary of the VaR position of the Consolidated Entity's non trading portfolio as at 30 June 2024 and during the period is as follows:

	2024 (% of Capital)	2023 (% of Capital)
At 30 June	4.6	2.8
Average for the period	4.3	2.3
Maximum for the period	5.8	2.9
Minimum for the period	2.8	1.0
VaR limit	11.0	11.0

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:

	2024 (% of Capital)	2023 (% of Capital)
At 30 June		
200 basis points increase	4.9	3.3
200 basis points decrease	(4.9)	(3.3)

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.

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(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.

(f) 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.

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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:

	2024 \$'000	2023 \$'000
Tier 1 capital	101,233	94,921
Tier 2 capital	1,395	4,074
Total regulatory capital	102,628	98,995
Total risk weighted assets	618,918	564,742
Total capital ratio	16.6%	17.5%
Capital Target 14-16%		

5. INTEREST INCOME AND INTEREST EXPENSE

Interest Income		
Cash deposits at call	675	555
Deposits with other financial institutions	10,909	7,885
Loans and advances	51,083	35,860
Total interest income	62,667	44,300
Interest Expense		
Member deposits	31,669	15,067
Wholesale deposits	2,349	923
Borrowings	2	2
Total interest expense	34,020	15,992
Net Interest Income	28,647	28,308

Consolidated and Community First

2024
\$'000

2023
\$'000

NOTES TO AND FORMING
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	Consolidated and Community First	
	2024 \$'000	2023 \$'000
6. NON-INTEREST INCOME		
Dividends received	989	406
Fees and commissions		
- loan fee income – other than loan origination fees	1,357	1,136
- transaction fees	999	913
- other fee income	829	1,219
- insurance commissions	299	287
- other commissions	722	745
Bad debts recovered	131	205
Other revenue		
- rental income	142	245
- ATM fees	72	71
- other (includes Gain on Sale)	1,808	179
	7,348	5,406
(a) Gain on Sale of Non-Current Assets		
Gross proceeds on sale of non-current asset	32	57
Less: written down value on non-current assets	-	4
Profit on sale of non-current assets	32	53
	2024 \$'000	2023 \$'000
7. IMPAIRMENT LOSSES ON LOANS AND ADVANCES		
- New and increased provisions (net of releases)	425	308
- Bad debts written off directly against profit	69	129
	494	437

NOTES TO AND FORMING
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Consolidated and Community First		
	2024 \$'000	2023 \$'000
8. OTHER EXPENSES		
Personnel	15,541	14,504
Occupancy	1,189	1,078
Depreciation (including ROU asset depreciation)	1,108	1,271
Amortisation	272	167
Information Technology	4,091	3,598
Other ^a	7,489	7,485
	29,690	28,103
(a) Auditors' Remuneration		
	2024 \$	2023 \$
Audit services: Auditors of the Consolidated Entity		
KPMG - audit and review of financial reports	177,314	168,870
KPMG - other regulatory audit services	55,314	62,680
	232,628	231,550
Other services:		
KPMG - taxation	20,396	19,425
KPMG - other	9,405	9,145
Total KPMG	262,429	260,120
Ernst & Young – internal audit	166,329	123,550
Total audit services	428,758	383,670

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Consolidated and Community First		
	2024 \$'000	2023 \$'000
9. INCOME TAX EXPENSE		
Current tax expense	2,054	1,035
Adjustment for prior years	204	(1)
Current year tax expense	2,258	1,034
Deferred tax expense	(604)	131
Total income tax expense	1,654	1,165
Numerical reconciliation between tax expense and pre-tax net profit		
Profit for the year	4,157	4,009
Total income tax expense	1,654	1,165
Profit excluding income tax	5,811	5,174
Income tax using tax rate of 30% (2023 25%)		
Prior year tax adjustment	204	(2)
Non-deductible expenses	3	3
Franking rebate	(297)	(126)
Transitional Tax rate adjustment	-	(4)
	1,654	1,165
The amount of non distributable franking credits held by the Consolidated Entity after adjustment for credit arising on tax payable in the current year's result		
	22,459	20,957
10. CASH ASSETS		
Cash on hand and at bank	5,538	4,398
Deposits at call	4,500	17,000
	10,038	21,398
11. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS		
Recorded as Amortised Cost Investments		
Deposits with Cuscal Limited	19,470	17,470
Deposits with other ADIs*	203,018	200,630
	222,488	218,100
Maturity Analysis		
Not longer than 3 months	91,529	94,158
Longer than 3 and not longer than 12 months	29,497	27,642
Longer than 12 months	101,462	96,300
	222,488	218,100

* Includes the liquidity, expense and interest reserve of \$13,642,115 held with easystreet Trust which is not immediately available for use.

NOTES TO AND FORMING
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	Consolidated and Community First	
12. LOANS AND ADVANCES		
Overdrafts	4,090	4,542
Credit Cards	22,162	20,395
Term loans	1,103,258	1,017,478
Gross Loans and Advances	1,129,510	1,042,415
Add: Deferred loan fees and expenses	58	45
Less: Unearned income	(439)	(685)
Less: Provision for impaired loans (Note 13)	(1,941)	(1,785)
Net Loans and Advances	1,127,188	1,039,990
Securitised Loans		
The values of securitised loans which do not qualify for derecognition as the conditions do not meet the criteria in AASB 9.	204,506	245,222
Maturity Analysis		
Not longer than 3 months	31,262	29,736
Longer than 3 and not longer than 12 months	8,190	5,172
Longer than 1 and not longer than 5 years	50,658	41,299
Longer than 5 years	1,039,400	966,208
	1,129,510	1,042,415
Credit Commitments		
Loans approved not funded	14,302	14,654
Loan facilities for members' overdrafts, lines of credit and Visa credit limits as at 30 June	67,576	66,377
Total facilities utilised	(26,252)	(24,937)
Total facilities unutilised	41,324	41,440

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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 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 collectively 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
Year ended 30 June 2024				
	Stage 1 12 month ECL \$'000	Stage 2 Lifetime ECL \$'000	Stage 3 Lifetime ECL \$'000	Provision Total \$'000
As at 30 June 2023	740	927	118	1,785
Changes due to financial assets that have:				
Transferred to 12 months ECL collectively assessed	41	(41)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(499)	573	(74)	-
Transfer to lifetime ECL credit impaired collectively assessed	-	(624)	624	-
New and increased provisions net of releases	234	117	74	425
Bad debts written off	-	-	(269)	(269)
As at 30 June 2024	516	952	473	1,941

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	Consolidated and Community First	
	2024 \$'000	2023 \$'000
14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Shares in Unlisted Companies		
Cuscal Limited	5,532	5,054
Transaction Solutions Limited (Trading as Experteq)	5,098	3,758
	10,630	8,812
15. INTANGIBLE ASSETS		
Software	3,510	3,590
Less Accumulated amortisation	(3,008)	(2,827)
Carrying amount at the end of the year	502	763
Software		
Reconciliation of the carrying amount		
Carrying amount at the beginning of the year	763	129
Additions	10	801
Amortisation for current year	(271)	(167)
Carrying amount at the end of the year	502	763
16. ACCRUED RECEIVABLES*		
Accrued interest	1,439	1,328
Accrued non-interest income	57	784
Debtors and prepayments	3,110	1,311
	4,606	3,423

*All accrued receivables are due within 12 months.

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	Consolidated and Community First	
	2024 \$'000	2023 \$'000
17. PROPERTY, PLANT AND EQUIPMENT		
Property (Land and Buildings)		
At fair value	17,694	17,618
Less accumulated depreciation	(211)	(93)
Property (Land and Buildings)	17,483	17,525
Plant and Equipment		
Office equipment		
At cost	553	528
Less accumulated depreciation	(497)	(482)
	56	46
Furniture and Fittings		
At cost	2,039	2,034
Less accumulated depreciation	(1,886)	(1,739)
	153	295
Data Processing Equipment		
At cost	1,691	1,610
Less accumulated depreciation	(1,348)	(1,341)
	343	269
Motor Vehicles		
At cost	259	335
Less accumulated depreciation	(193)	(243)
	66	92
Plant and Equipment	618	702
Total Property, Plant and Equipment	18,101	18,227

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

Property (Land and Buildings)		
Carrying amount at the beginning of year	17,525	17,555
Additions	75	63
Revaluation	-	-
Depreciation	(117)	(93)
Carrying amount at end of year	17,483	17,525
Plant and Equipment		
Carrying amount at the beginning of year	702	750
Additions	269	370
Disposals	(7)	(9)
Depreciation	(346)	(409)
Carrying amount at end of year	618	702
Total Property, Plant and Equipment	18,101	18,227

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.

NOTES TO AND FORMING
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18. RIGHT OF USE ASSETS

Right of Use Assets relate primarily to leased store premises.

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
Carrying amount at beginning of year	1,066	1,053
Additions	1,006	768
Re-measurement with CPI	13	14
Depreciation	(644)	(769)
Carrying amount at end of year	1,441	1,066

19. DEPOSITS

Savings deposits	702,655	690,224
Term deposits	494,573	462,511
Wholesale deposits	63,478	19,677
Member shares	118	112
	1,260,824	1,172,524
Maturity Analysis		
At call	697,617	686,564
Not longer than 3 months	213,933	195,846
Longer than 3 and not longer than 6 months	136,041	144,231
Longer than 6 and not longer than 12 months	158,185	135,907
Longer than 1 and not longer than 5 years	55,048	9,976
	1,260,824	1,172,524

Concentration of Deposits

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

20. PAYABLES*

Sundry creditors and accruals	1,723	721
Accrued interest payable	10,938	6,810
	12,661	7,531

*All payables are due within 12 months.

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	Consolidated and Community First			
	Annual Leave \$'000	Long Service Leave \$'000	Other \$'000	Total \$'000
21. PROVISIONS				
Balance at 1 July 2023	1,197	2,828	-	4,025
Provisions made during the year	1,147	532	24	1,703
Provisions used during the year	(1,040)	(115)	-	(1,155)
Balance at 30 June 2024	1,304	3,245	24	4,573
Current	1,304	2,838	24	4,167
Non Current	-	407	-	407

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
22 LEASE LIABILITIES		
Carrying amount at beginning of year	1,144	1,158
Additions	984	768
Lease interest	61	61
Repayments	(734)	(857)
Re-measurement with CPI	12	14
Carrying amount at end of year	1,467	1,144

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
23. INTEREST BEARING LIABILITIES		
Term Funding Facility with Reserve Bank of Australia		
Loan Facility - Secured		
Gross Facility	-	16,917
Current borrowing	-	16,917
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.

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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. The second and final tranche was repaid to the RBA on 20 May 2024.

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
24. 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

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25. INCOME TAX PROVISION / NET DEFERRED TAX LIABILITY

(i) Income Tax Provisions

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
Income Tax Provision	698	464

(ii) Recognised Deferred Tax Assets and Deferred Tax Liabilities

	Consolidated and Community First					
	Assets		Liabilities		Net	
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
Revaluation of financial assets at FVOCI	-	-	(1,537)	(991)	(1,537)	(991)
Provision for loan impairment	582	535	-	-	582	535
Intangible assets	-	27	(131)	-	(131)	27
Property, plant and equipment	20	22	(2,881)	(2,868)	(2,861)	(2,846)
Right of use assets	-	-	(432)	(291)	(432)	(291)
Receivables	-	1	-	-	-	1
Payables	221	103	(3)	(182)	218	(79)
Lease liabilities	440	312	-	-	440	312
Employee benefits	1,365	1,150	-	-	1,365	1,150
Other provision	7	-	-	-	7	-
Total	2,635	2,150	(4,984)	(4,332)	(2,349)	(2,182)

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
26. REDEEMED PREFERENCE SHARE CAPITAL		

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	498	490
Transfer from retained earnings on share redemption	9	8
Balance at the end of year	507	498

27. RESERVES

Asset revaluation reserve (i)	10,666	9,393
Credit loss reserve (ii)	-	2,452
Business combination reserve	12,002	12,002
	22,668	23,847

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	Consolidated and Community First			
	Asset revaluation Reserve \$'000	Credit loss reserve \$'000	Business combination reserve \$'000	Total Reserves \$'000
RECONCILIATION OF RESERVES 2024				
Opening Balance 01 July 2023	9,393	2,452	12,002	23,847
FVOCI revaluation movement for the year, net of tax	1,273	(2,452)	-	(1,179)
Closing Balance 30 June 2024	10,666	-	12,002	22,668

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. The Credit Loss Reserve was transferred to Retained Earnings with approval from APRA at 30 June 2024.

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
28. RETAINED EARNINGS		
Balance at the beginning of the year	82,647	78,646
Profit for the year	4,157	4,009
Transfer to redeemed preference share capital account	(9)	(8)
General Reserve for Credit Losses	2,452	-
Balance at the end of the year	89,247	82,647

NOTES TO AND FORMING
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	Consolidated and Community First	
	2024 \$'000	2023 \$'000
29. NOTES TO AND FORMING PART OF THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of Cash		
Cash includes cash on hand, and deposits at call with financial institutions net of outstanding overdrafts.		
Cash at balance date comprises:		
Cash on hand	5,538	4,398
Deposits at call	4,500	17,000
	10,038	21,398
(b) The net cash provided by operating activities is to the net profit after tax		
Net profit after tax	4,157	4,009
(Loss) / gain on sale of fixed assets & intangibles	(25)	(48)
Bad debts written off	338	372
Depreciation & Amortisation	1,380	1,438
Changes in Assets and Liabilities		
Decrease / (Increase) in accrued receivables	616	(928)
Net (Increase) in members' loans	(87,692)	(24,365)
Net (increase)/decrease in sundry debtors and prepayments	(1,800)	949
(Increase)/decrease in net deferred tax assets and liabilities	(379)	118
Net Increase in deposits	88,301	41,521
Increase in payables	5,130	3,945
Increase in provision for doubtful debts	156	65
Increase in provisions for staff entitlements	524	408
Increase in other provisions	257	464
Net Cash Provided by Operating Activities	10,963	27,948

(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
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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.

		Consolidated and Community First					
	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	
2024							
Financial Assets							
Cash assets	10	3.25%	10,038	-	-	-	10,038
Due from other financial institutions	11	4.94%	17,168	117,500	87,820	-	222,488
Loans and advances	12	4.63%	790,836	224,639	111,714	-	1,127,189
Financial assets at FVOCI	14	n/a	-	-	-	10,630	10,630
Total Financial Assets			818,042	342,139	199,534	10,630	1,370,345
Financial Liabilities							
Deposits	19	2.73%	697,499	508,159	55,048	118	1,260,824
Interest bearing liabilities	23	n/a	-	-	-	-	-
Total Financial Liabilities			697,499	508,159	55,048	118	1,260,824

		Consolidated and Community First					
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		
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	23	0.10%	-	16,917	-	-	16,917
Total Financial Liabilities			686,452	492,901	9,976	112	1,189,441

NOTES TO AND FORMING
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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.

	Consolidated and Community First			
	Total Carrying amount as per Statement of Financial Position		Fair Value	
	2024 \$'000	2023 \$'000	2024 Total \$'000	2023 Total \$'000
CONSOLIDATED AND COMMUNITY FIRST				
Financial Assets				
Cash assets	10,038	21,398	10,038	21,398
Due from other financial institutions	222,488	218,100	223,359	218,453
Loans and advances	1,127,188	1,039,990	1,120,191	1,026,596
Other investments	10,630	8,812	10,630	8,812
Total Financial Assets	1,370,344	1,288,300	1,364,218	1,275,259
Financial Liabilities				
Deposits	1,260,824	1,172,524	1,261,662	1,172,387
Interest bearing liabilities	-	16,917	-	16,320
Total Financial Liabilities	1,260,824	1,189,441	1,261,662	1,188,707

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).

	Consolidated and Community First							
	Aggregate fair value							
	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000	2024 \$'000	2023 \$'000
	Level 1		Level 2		Level 3		Total	
CONSOLIDATED AND COMMUNITY FIRST								
Financial Assets								
Due from other financial institutions	-	-	223,359	218,453	-	-	223,359	218,453
Loans and advances	-	-	-	-	1,120,191	1,026,596	1,120,191	1,026,596
Other investments	-	-	-	-	10,630	8,812	10,630	8,812
Total Financial Assets	-	-	223,359	218,453	1,130,821	1,035,408	1,354,180	1,253,861
Financial Liabilities								
Deposits	-	-	1,261,661	1,172,387	-	-	1,261,662	1,172,387
Interest bearing liabilities	-	-	-	16,320	-	-	-	16,320
Total Financial Liabilities	-	-	1,261,661	1,188,707	-	-	1,261,662	1,188,707

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
Level 3 Reconciliation		
Balance at beginning of financial year	1,035,408	1,022,094
Loans and advances	-	-
Purchase of investment	-	-
Movement in Loans in financial year	93,595	15,511
Total gains and losses - FVOCI	1,818	(2,197)
Balance at end of the financial year	1,130,821	1,035,408

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.

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 credit worthiness 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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.

	Consolidated and Community First	
	2024 \$'000	2023 \$'000
Within 1 year	488	616
1 to 5 years	979	527
Greater than 5 years	-	-
	1,467	1,143

ii. **Lease Receivable commitment**

Within 1 year	143	138
1 to 5 years	369	292
	512	430

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 2024 is \$204,505,613 (30 June 2023: \$245,221,606). The values of securitised loans do not qualify for de-recognition from the balance sheet of the Consolidated Entity

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" and "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 was 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.

Following further legal processes, Community First received the final settlement on 20 October 2023.

NOTES TO AND FORMING
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33. CONSOLIDATED ENTITIES

Particulars in relation to the controlled entity:

Parent Entity Community First Credit Union Limited.

	Consolidated and Community First	
	2024	2023
	%	%
easystreet Trust No. 1	100%	100%

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:

	Consolidated and Community First	
	2024	2023
	\$	\$
Short-term employee benefits	2,328,974	2,138,790
Other long term benefits	271,724	126,241
Post-employment benefits	205,119	182,266
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

	Consolidated and Community First	
	2024	2023
	\$	\$
(i) The aggregate value of loans to Key Management Personnel as at Balance date amounted to	1,660,920	666,447
The total value of revolving credit facilities to Key Management Personnel, as at Balance date amounted to	39,400	39,200
Less amounts drawn down and included in (i)	8,209	2,941
Net balance available	31,191	36,259
(ii) During the year the aggregate value of loans disbursed to Key Management Personnel amounted to:		
Revolving credit facilities	293,096	292,997
Term Loans	-	-
	292,997	292,997

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	Consolidated and Community First	
	2024	2023
	\$	\$
(iii) During the year the aggregate value of Revolving Credit Facility limits were (reduced) / increased to Key Management Personnel amounted to:	200	-
(iv) Interest and other revenue earned on Loans and revolving credit facilities to Key Management Personnel	96,983	30,670

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. EMPLOYEE BENEFITS

Employee Leave Provision

Aggregate liability for employee entitlements, including on-costs:

	Note	Consolidated and Community First	
		2024	2023
		\$'000	\$'000
Provision for employee annual leave	25	1,305	1,197
Provision for employee long service leave	25	3,245	2,828
		4,550	4,025

As at 30 June 2024, the Consolidated Entity employed 149 staff, comprising 123 full-time, 26 part-time. This equates to a full time equivalent of 139 persons (2023: 141 staff, 114 full-time, 27 part-time employees. 131 full time equivalent).

37. 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 2024 the balance outstanding under this facility totalled \$11.3m (as at 30 June 2023 \$20.7m).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Community First	
	2024 \$'000	2023 \$'000
38. PARENT ENTITY DISCLOSURES		
As at, and throughout the financial year ended 30 June 2024 the parent of the Consolidated Entity was Community First.		
Result of parent entity		
Profit for the year	4,157	4,009
Other comprehensive income for the year	1,273	(1,538)
Total comprehensive income for the year	5,430	2,471
Financial position of parent entity at year end		
Total assets	1,394,995	1,311,779
Total Liabilities	1,282,572	1,204,787
Total equity of parent entity comprising of:		
Redeemed preference share capital account	507	498
Reserves	22,668	23,847
Retained earnings	89,247	82,647
Total equity	112,423	106,992

39. EVENTS SUBSEQUENT TO REPORTING DATE
Apart from the proposed merger with Illawarra Credit Union, 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.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Set out below is a list of entities that are consolidated in the financial statements as at 30 June 2024.

Entity Name	Body Corporate Partnership or Trust	Place incorporated /formed	% of share capital held directly or indirectly by the Company in the body corporate		Australian or Foreign resident	Jurisdiction for Foreign resident
			2024	2023		
Community First Credit Union Limited	Body Corporate	Australia	100%	100%	Australian	n/a
easystreet Trust ^(a)	Trust	Australia	n/a	n/a	Australian	n/a

(a) The group owns 100% of the units in easystreet Trust.

Key assumptions and judgements

Determination of Tax Residency

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

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

Australian tax residency

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

Foreign tax residency

The consolidated entity has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the consolidated entity has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

Partnerships and Trusts

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

Additional disclosures on the tax status of partnerships and trusts have been provided where relevant.

Branches (permanent establishments)

Foreign branches of Australian subsidiaries are not separate level entities and therefore do not have a separate residency for Australian tax purposes. Generally, the Australian subsidiary that the branch is a part of will be the relevant tax resident, rather than the branch operations.

Additional disclosures on the tax status of Australian subsidiaries having a foreign branch with a taxable presence in that jurisdiction have been provided where relevant

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 44 – 96, 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 2024 and of their performance, for the financial year ended on that date; and
- (ii)

complying with Australian Accounting Standards and the Corporations Regulations 2002; 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.
- (c)

the consolidation entity disclosure statement is true and correct.
- 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, NSW this 30th day of September 2024.



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 2024 there have been:

- i.

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

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


KPMG


Graeme Scott
Partner

Sydney
30 September 2024

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

- The *Financial Reports* of the Group and the Company comprise:
- Statements of financial position as at 30 June 2024;
 - Statements of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
 - Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
 - Notes, including material accounting policies; and
 - Directors' Declaration.

The *Group* consists of the 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 audit 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 opinion.

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

We are independent of the Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report 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 report which is provided in addition to the Financial Report 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 Director's Report.

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

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

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

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

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

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

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

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



Graeme Scott
Partner

Sydney
30 September 2024

GLOSSARY

AGM	Annual General Meeting is commonly abbreviated as AGM and is the meeting of the general membership of the credit union.
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.
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 customer-shareholder. A member 'owns' part of the credit union and can have their say of the credit union's future and shares in any retained earnings in the unlikely event the organisation is ever wound up.
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.
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.

GLOSSARY

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.
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		

NSW

OUR STORE LOCATIONS

**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 32, 10 Zoe Place
Mount Drutt

10. NARELLAN

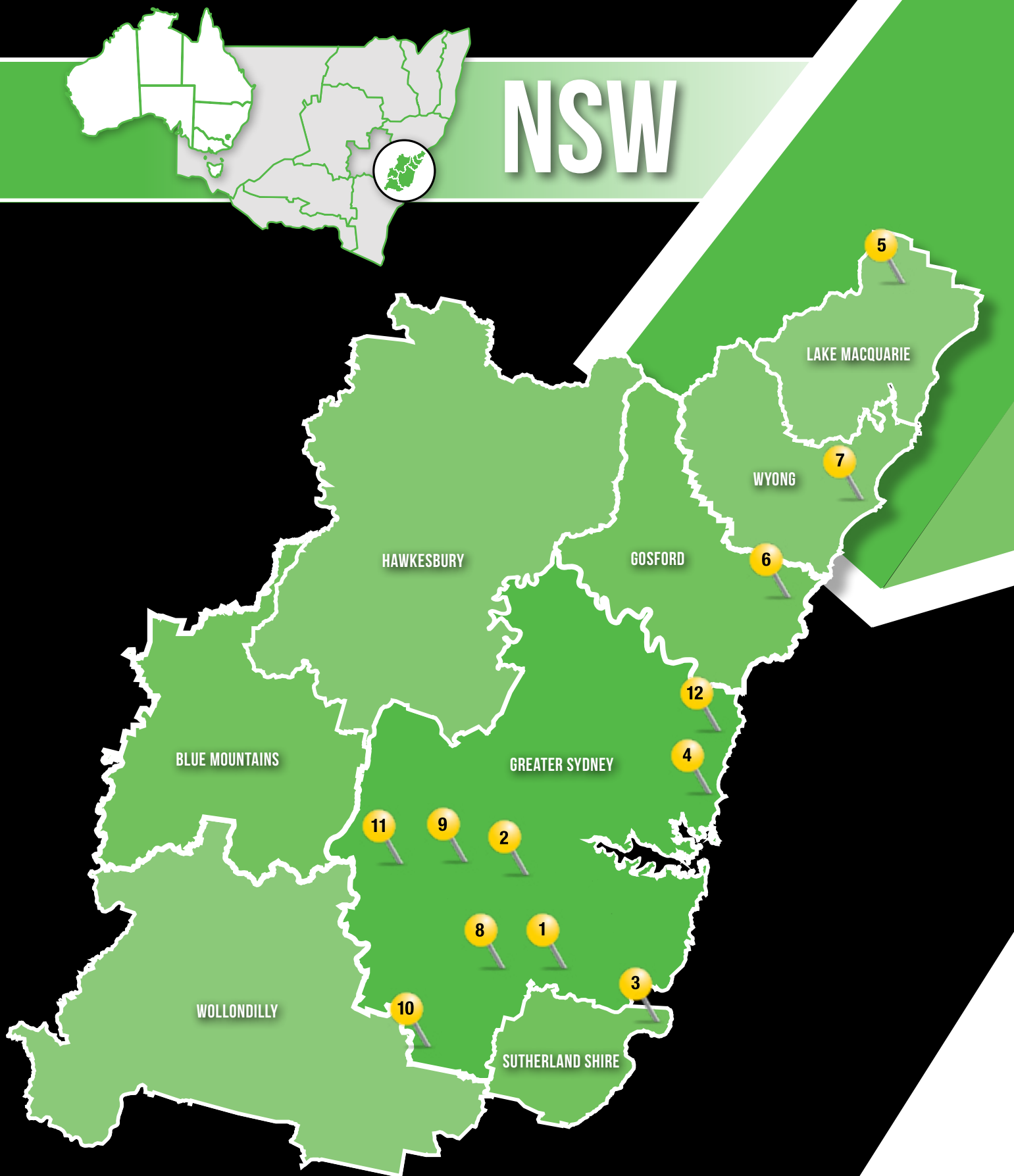
02 9735 1784
Shop 309, Narellan
Town Centre

11. PENRITH

02 9735 1780
Shop 032, Nepean Village

12. WARRIEWOOD

02 8245 8230
Shop 18, Warriewood
Square





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