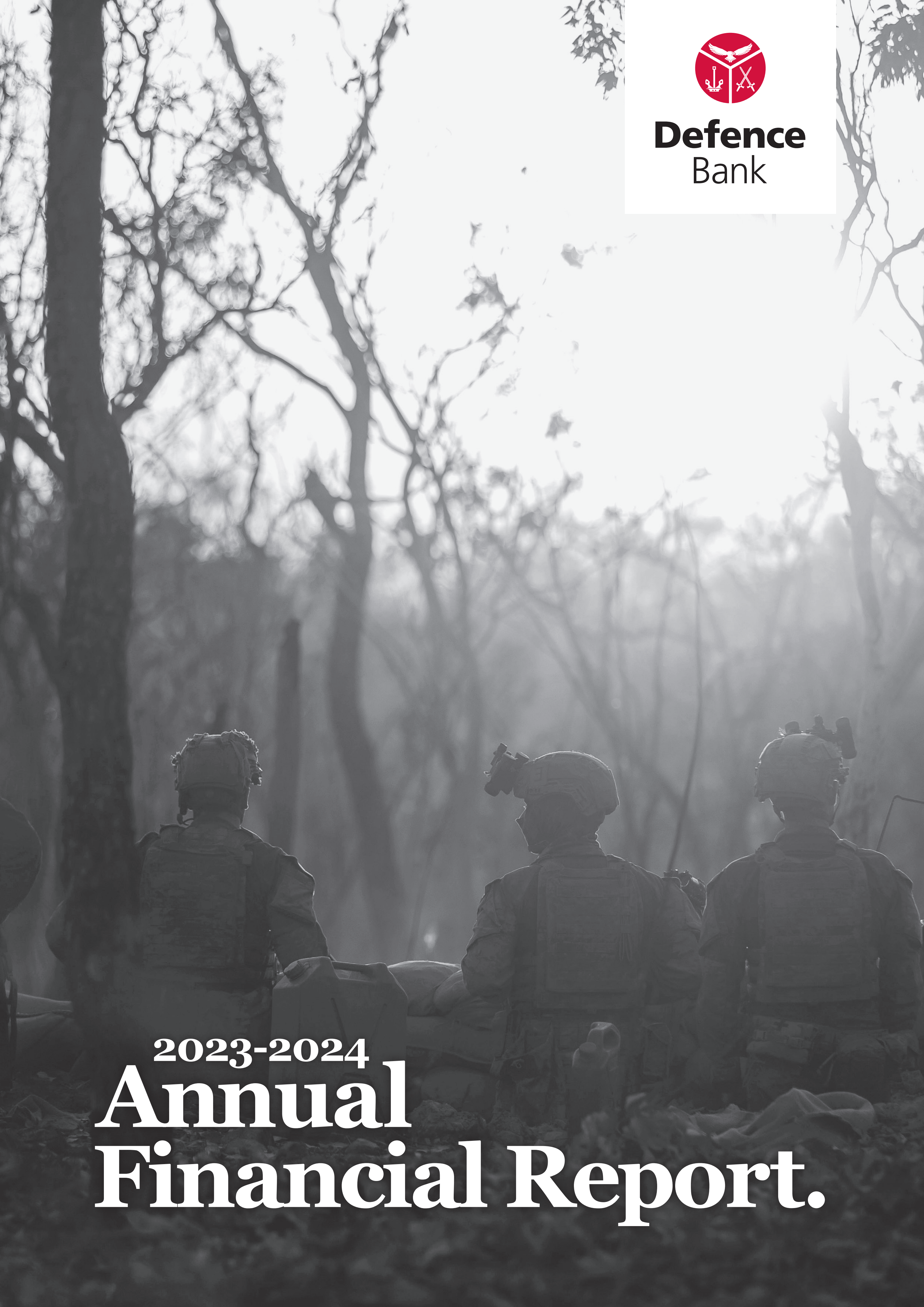
Defence Bank



2023-2024 Annual Financial Report.

Defence Bank Limited
ABN 57 087 651 385 AFSL/Australian Credit Licence 234582.
Support Office, Level 10, 31 Queen Street, Melbourne VIC 3000.

Contents

Directors' report

The directors present their report together with the financial statements of Defence Bank Limited ("Defence Bank" or "the Bank") and the consolidated financial statements for the consolidated group ("the Group") comprising Defence Bank and its controlled entities, for the financial year ended 30 June 2024. In order to comply with the provisions of the *Corporations Act 2001,* the directors report as follows:

Information about the directors

The names and particulars of the directors in office during or since the end of the financial year and their roles during the year are as below. All the Bank's directors are independent non-executive directors.

Name	Qualifications and Roles	Appointment period
Mr Bruce MURPHY	BSc, MCom, PGD, GAICD. *Chair of the Board.*	Initially appointed to the Board on 5 May 2012. Most recently re-elected to the Board on 28 November 2022.
Ms Anne MYERS	MBA (AGSM), FAICD. *Chair of Governance and Remuneration Committee from 28 November 2022.*	Initially appointed to the Board on 23 November 2015. Most recently re-elected to the Board on 22 November 2021.
Ms Joan FITZPATRICK	BA (Hons), LLB, ANZIIF Fellow, CIP, FAICD. *Chair of the Risk and Compliance Committee until 27 November 2023.*	Initially appointed to the Board on 23 November 2015. Most recently re-elected to the Board on 22 November 2021.
Air Commodore Jeffrey HOWARD, OAM, Royal Australian Air Force	FIEAust, CPEng, GAICD, BE, MCom, MA, psc(j). *Chair of the Audit Committee until 27 November 2023.*	Initially elected to the Board on 23 November 2020. Most recently re-elected to the Board on 27 November 2023.
Ms Pam REBECCA	BBus(Accy), MBA, GAICD. *Chair of the Risk and Compliance Committee from 27 November 2023.*	Initially elected to the Board on 23 November 2020. Most recently re-elected to the Board on 27 November 2023.
Ms Victoria HARTLEY	BA (Hons), GAICD, FCA. *Chair of the Audit Committee from 27 November 2023.*	Initially elected to the Board on 28 November 2022.
Commodore Letitia VAN STRALEN, AM, CSC, Royal Australian Navy	MMilLaw, GCDefStatStud, GDLegalPrac, GDMilLaw, BLaws, GAICD.	Initially elected to the Board on 28 November 2022.

Information about the company secretaries

The names and particulars of the secretaries during or since the end of the financial year are as follows:

Name	Qualifications and Roles	Appointment period
Dean BARTON	BCom, FFin, FCPA, GAICD. *Chief Financial Officer.*	Appointed 23 September 2011.
Ben BEENIE	MBA, FGIA, GAICD. *Company Secretary.*	Appointed 23 November 2020.

Directors' report

Directors' meetings

The number of Board and Committee meetings during the year attended by each director, in their capacity as a director or committee member, were as follows:

Directors	Board		Committees							
			Audit		Risk and Compliance		Nominations		Gov and Rem.	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J Fitzpatrick	9	9	1	1	6	6	-	-	-	-
J Howard	9	9	3	3	3	3	-	-	1	1
B Murphy	9	9	3	3	6	6	3	3	5	5
A Myers	9	8	-	-	-	-	-	-	5	5
P Rebecca	9	9	2	2	6	6	-	-	3	3
T van Stralen	9	9	-	-	-	-	-	-	5	4
V Hartley	9	9	3	3	6	6	-	-	-	-

Principal activities

The principal activities of the Group during the financial year were the raising of funds and the application of those funds in providing financial products and services to its members.

Review of operations

a. Operating profit

During the financial year the Group earned a net profit of $15,223 thousand (2023: $14,478 thousand) after providing $6,482 thousand (2023: $6,222 thousand) for income tax expense.

b. Deposit and lending growth

During the financial year the Group grew deposits and lending as follows:

	2024 $000	2023 $000	Increase / (Decrease) $000	Increase / (Decrease) %
Total assets	3,820,204	3,514,479	305,725	8.7
Total deposits	2,953,687	2,748,414	205,273	7.5
Total equity	249,259	234,036	15,223	6.5
Net loans and advances	3,214,527	2,920,442	294,085	10.1
Securitised housing loans (off balance sheet)	-	5,830	(5,830)	(100.0)
Total loans and advances (on and off balance sheet)	3,214,527	2,926,272	288,255	9.9

c. Distribution network

The Bank continues to maintain the largest on-base branch network in the Australian Defence Force (ADF). The Bank assesses its branch network on an ongoing basis to take into account operational changes within the ADF, as well as the increasing preference of members to transact via digital channels. Branches at Swanbourne, Canungra and RAAF Townsville were closed during the financial year, aligning with a decline in business carried out at these locations. This was achieved with little disruption to member service, with employees redeployed into other branches and members supported in transitioning to digital channels.

d. Partnerships

The Bank has continued to diversify its member base through the Defence Industry Partners Program (DIP). The DIP program offers a range of product and financial wellbeing benefits to employees of organisations that support the ADF. The program encompasses 27 partner organisations with a combined workforce of 20,500 employees. The Bank maintains an active presence in the defence sector through its participation in the Australian Industry Defence Network.

e. Product development and awards

The Bank continues to improve products and services for members and was proud to win a number of awards throughout the year. This included the WeMoney Defence Services Bank of the Year for a third consecutive year and the Mozo Low Rate Credit Card of the year for the fourth consecutive year. The Bank's award winning mobile banking app continues to rate highly on both the Apple Store and Google Play. The Bank's app continues to offer a full suite of digital payment methods - Apple, Google, Garmin and Samsung pay. The Bank recognises that whilst digital payments are the preferred transaction method for most members, fee-free access to cash remains important. During the year the Bank connected to the ATMx network which increased the number of fee-free ATMs the Bank's members can access by 1,700, taking the total number of fee-free ATM's available to members to over 6,300.

Directors' report

Review of operations (continued)

f. Defence Bank Foundation and Defence Community Dogs
The Bank continued its support of the Defence Bank Foundation, which was established as an independent charity to help injured, wounded and disadvantaged serving and former ADF personnel and their families. The Bank undertakes all administrative functions for the Foundation as well as assisting with fund raising activities on behalf of the Foundation. The primary beneficiary of the Foundation's activities throughout the financial year was Defence Community Dogs Pty Limited. The Defence Bank Foundation credit card provides support to the Defence Community Dogs program. Half of the annual fees for this credit card are donated to the Defence Bank Foundation.

g. Our community
The Bank has continued to support the defence community through sponsorships across a range of community categories including ADF sporting clubs, Military Wives Choir, Defence kidz and DEFGLIS. The Bank continues as a proud supporter of the defence spouse community through the Military Wife podcast, with the Bank continuing its support of the Spouse Banking Forum. The Bank considers itself a proud member of the defence community and remains committed to giving back to the community it serves with contributions during the financial year totalling $150 thousand.

h. Employee engagement
Employee engagement was measured at 79% at June 2024 which places the Bank in the top quartile when compared to peer financial services organisations. The Bank recognises the importance of flexibility in the workplace and has provided employees with the tools and support that they need, including wellbeing support and learning opportunities to assist employees to build resilience. The Bank also provides growth mindset workshops, leadership coaching and access to its employee assistance program. The Bank's reward and recognition framework has recently been awarded Best Reward and Recognition Program at the HRD Australian HR Awards due to the manner in which it supports behaviours that align with the Bank's strategic direction. Employee engagement events such as R U Ok day, the Defence Bank Pinnacle Awards and International Women's Day helped to promote a sense of belonging. The Bank's enhanced Employee Value Proposition has delivered top decile results in pride, belonging, team effectiveness, performance and investing in people.

i. Defence Home Ownership Assistance Scheme (DHOAS)
The Bank has continued to focus on providing eligible defence personnel competitive home loans under this scheme. The scheme was expanded in November 2022 which reduced the minimum service periods for eligibility and removed the current post separation timeframe to allow veterans to access the scheme any time after they leave the ADF. The Bank has experienced a growth in demand for loans under the scheme with the value of DHOAS loans outstanding increasing by 14.4% over the financial year.

j. Member experience
During the financial year the bank continued to measure member advocacy via the Net Promoter Score (NPS) and Member Effort Score (MES). Achieving a NPS score of +48 and a MES of 86%. This result continues to soundly outperform the major banks.

k. **Scams**
As a member of the Customer Owned Banking Association (COBA) the Bank is committed to delivering the requirements of the Scam-Safe Accord, which is designed to tackle the rising number of sophisticated frauds. In addition to the requirements of the accord the Bank has continued to educate members about how to protect themselves from scams with 147 unique notifications sent to members via email, SMS, social media, mobile app and website channels. The Bank has continued to build upon its Verify Defence Bank service, which allows members to use the secure messaging function within the Bank's mobile app to authenticate the identity of callers claiming to be from the Bank.

Significant changes in the state of affairs
Other than those matters detailed in the review of operations, there were no significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results
The Group's objectives over the next and subsequent financial years are to continue to improve service to members and to achieve growth in appropriate areas of operations. With regard to products and services, management regularly reviews all existing and available products, services and delivery mechanisms to ensure that they meet the existing and future needs of members.

Subsequent events
Since the end of the financial year, the directors have not become aware of any matters or circumstances that may significantly affect the operations, results of those operations, or the state of affairs, of the Group.

Directors' report

Dividends

The only class of share on issue is member shares. Under the terms of the Bank's constitution member shares are not entitled to receive dividends. As such, no dividends have been declared or paid.

Contracts in which directors have an interest

Since 1 July 2023, no director has received or become entitled to any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors and shown in the accounts) from a contract between the Group and themselves, their firm or a company in which they have a substantial interest.

Directors', officers' and auditor's indemnity

The Bank's constitution (clause 17.3) permits the Bank to indemnify officers of the Bank against certain liabilities incurred in the execution and discharge of the officer's duties. *The Corporations Act 2001* (Section 199A) restricts the Bank from providing indemnity against certain liabilities that officers incur while acting in their positions. The indemnity that the Bank provides for its officers is consistent with the requirements of the *Corporations Act 2001.* The Bank's ability to indemnify extends to all directors, secretaries, executive officers and employees. During the financial year, the Bank has paid the premium for an insurance policy for directors and officers, for the benefit of the Bank. The Bank has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Bank, or of any related body corporate, against a liability incurred as such an officer or auditor. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium. In the event of there being a claim against this insurance policy, the Bank would meet the costs and expenses incurred in defending such proceedings on behalf of the eligible person(s), up to the excess amount specified in the policy, where such action was compatible with the requirements of the *Corporations Act 2001*.

Auditor's independence

A copy of the external auditor's independence declaration, as required under Section 307c of the *Corporations Act 2001,* is provided on page 7.

Rounding of amounts

The Group is a company of the kind referred to in *ASIC Corporations (Rounding in financial / directors' reports) Instrument 2016/191,* dated 24 March 2016. In accordance with that Instrument, amounts in the directors' report and the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a formal resolution of the Board of directors.

B Murphy
Chair of the Board
22 October 2024

V Hartley
Chair of the Audit Committee
22 October 2024

Directors' declaration

We, Bruce Murphy and Victoria Hartley, being two of the directors of Defence Bank Limited, in accordance with a resolution of the Board of directors, declare that:

a. in the directors' opinion there are reasonable grounds to believe that Defence Bank Limited will be able to pay its debts as and when they become due and payable;

b. in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

c. in the directors' opinion, the attached financial statements and notes to the financial statements are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of Defence Bank for the period ended 30 June 2024; and

d. in the directors' opinion, the attached consolidated entity disclosure statement is true and correct.

B Murphy
Chair of the Board
22 October 2024

V Hartley
Chair of the Audit Committee
22 October 2024

Auditor's independence declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne VIC 3000
Australia
Tel: +61 3 9671 7000
www.deloitte.com.au

22 October 2024

The Board of Directors
Defence Bank Limited
Level 10, 31 Queen Street
Melbourne VIC 3001

Dear Board Members,

Auditor's Independence Declaration to Defence Bank Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Defence Bank Limited.

As lead audit partner for the audit of the financial report of Defence Bank Limited for the year ended 30 June 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne VIC 3000
Australia
Tel: +61 3 9671 7000
www.deloitte.com.au

Independent Auditor's Report to the Members of Defence Bank Limited

Opinion

We have audited the financial reports of Defence Bank Limited (the "Bank") and its subsidiaries (the "Group") which comprise the Group and the Bank's statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration and the Consolidated Entity Disclosure Statement.

In our opinion, the accompanying financial reports of the Group and the Bank are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Bank's financial position as at 30 June 2024 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Reports* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and Bank's annual report for the year ended 30 June 2024, but does not include the financial reports and our auditor's report thereon.

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

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

Deloitte.

Responsibilities of the Directors for the Financial Reports

The directors are responsible:

- For the preparation of the financial reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial reports in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Group and the Company, and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Bank to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

Deloitte.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Lani Cockrem

Lani Cockrem
Partner
Chartered Accountants

Melbourne, 22 October 2024

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2024

	Notes	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Income					
Interest income	5	183,990	129,048	182,714	128,097
Interest expense	5	(112,817)	(62,210)	(112,817)	(62,210)
Net interest income		71,173	66,838	69,897	65,887
Other income	6	8,950	8,414	10,890	10,347
		80,123	75,252	80,787	76,234
Expenses					
Personnel expenses	6	30,919	28,839	30,919	28,839
Depreciation and amortisation expense	6	1,849	2,096	1,849	2,096
Increase/(decrease) in provision on loans and advances	13e	573	(47)	573	(47)
Other expenses	6	25,077	23,664	24,762	23,394
		58,418	54,552	58,103	54,282
Profit before income tax		21,705	20,700	22,684	21,952
Income tax expense	7	6,482	6,222	6,482	6,222
Profit for the year from continuing operations		15,223	14,478	16,202	15,730
Other comprehensive income		-	-	-	-
Total comprehensive income		15,223	14,478	16,202	15,730

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2024

		Group		Bank	
		2024	**2023**	**2024**	**2023**
	Notes	**$000**	**$000**	**$000**	**$000**
Assets					
Cash and cash equivalents	9	112,651	143,044	70,034	109,698
Investments	10	479,355	435,741	479,355	435,741
Equity investments	11	5,325	5,325	5,325	5,325
Trade and other receivables	12	372	622	55,275	45,275
Loans and advances	13	3,214,527	2,920,442	3,214,527	2,920,442
Property, plant and equipment	14	1,542	1,904	1,542	1,904
Intangible assets	15	39	162	39	162
Right of use assets	16	1,941	3,000	1,941	3,000
Deferred tax assets	17	2,132	2,039	2,132	2,039
Other assets	18	2,320	2,200	2,320	2,200
		3,820,204	3,514,479	3,832,490	3,525,786
Liabilities					
Trade and other payables	19	2,812	2,916	2,812	2,916
Current tax liabilities		1,571	316	1,571	316
Deposits	20	2,953,687	2,748,414	2,953,687	2,748,414
Lease liabilities	21	2,102	3,150	2,102	3,150
Borrowings	22	604,075	519,134	604,075	519,134
Provisions	24	6,698	6,513	6,698	6,513
		3,570,945	3,280,443	3,570,945	3,280,443
Net assets		249,259	234,036	261,545	245,343
Equity					
Share capital	25	1,208	1,185	1,208	1,185
Reserves	26	248,051	232,851	260,337	244,158
Retained earnings	27	-	-	-	-
		249,259	234,036	261,545	245,343

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the financial year ended 30 June 2024

	Group 2024			
	Share capital $000	**General reserve $000**	**Retained earnings $000**	**Total equity $000**
Balance at 1 July 2023	1,185	232,851	-	234,036
Transfer on redemption of redeemable member shares	23	-	(23)	-
Profit for the financial year	-	-	15,223	15,223
Transfer to general reserve	-	15,200	(15,200)	-
Balance at 30 June 2024	1,208	248,051	-	249,259

	Group 2023			
	Share capital $000	**General reserve $000**	**Retained earnings $000**	**Total equity $000**
Balance at 1 July 2022	1,167	218,391	-	219,558
Transfer on redemption of redeemable member shares	18	-	(18)	-
Profit for the financial year	-	-	14,478	14,478
Transfer to general reserve	-	14,460	(14,460)	-
Balance at 30 June 2023	1,185	232,851	-	234,036

Consolidated statement of changes in equity

for the financial year ended 30 June 2024

	Bank			
	2024			
	Share capital $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2023	1,185	244,158	-	245,343
Transfer on redemption of redeemable member shares	23	-	(23)	-
Profit for the financial year	-	-	16,202	16,202
Transfer to general reserve	-	16,179	(16,179)	-
Balance at 30 June 2024	1,208	260,337	-	261,545

	Bank			
	2023			
	Share capital $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2022	1,167	228,446	-	229,613
Transfer on redemption of redeemable member shares	18	-	(18)	-
Profit for the financial year	-	-	15,730	15,730
Transfer to general reserve	-	15,712	(15,712)	-
Balance at 30 June 2023	1,185	244,158	-	245,343

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the financial year ended 30 June 2024

	Notes	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Cash flows from operating activities					
Interest received		183,427	127,119	182,151	126,168
Fees and commissions received		8,649	7,776	8,649	7,776
Other income received		850	786	2,790	2,719
Dividends received		205	178	205	178
Recoveries on loans previously written off		87	53	87	53
Goods and services tax refunded		907	868	907	868
Interest paid		(101,679)	(45,801)	(101,679)	(45,801)
Payments to suppliers and employees		(57,589)	(53,200)	(57,274)	(52,930)
Tax collected on retirement savings accounts		807	745	807	745
Income tax paid		(6,127)	(7,090)	(6,127)	(7,090)
Cash flows from operating activities before changes in operating assets and liabilities		29,537	31,434	30,516	32,686
Net increase in investments		(43,021)	(30,996)	(43,021)	(30,996)
Net increase in loans and advances		(294,658)	(253,323)	(294,658)	(253,323)
(Increase)/decrease in other operating receivables		(11)	36	(10,261)	6,115
Net increase in deposits		196,258	208,337	196,258	208,337
Increase/(decrease) in other operating payables		67	(153)	67	(153)
Net cash used in operating activities	28	(111,828)	(44,665)	(121,099)	(37,334)
Cash flows from investing activities					
Purchases of property, plant and equipment	14	(274)	(393)	(274)	(393)
Purchases of intangible assets	15	-	(12)	-	(12)
Net cash used in investing activities		(274)	(405)	(274)	(405)
Cash flows from financing activities					
Net increase in borrowings	23	82,817	68,598	82,817	68,598
Net decrease in lease liabilities	23	(1,078)	(1,006)	(1,078)	(1,006)
Net cash flow from financing activities		81,739	67,592	81,739	67,592
Net (decrease)/increase in cash and cash equivalents		(30,363)	22,522	(39,634)	29,853
Cash and cash equivalents at the beginning of the financial year		142,754	120,232	109,408	79,555
Cash and cash equivalents at the end of the financial year	9	112,391	142,754	69,774	109,408

The accompanying notes form part of these financial statements.

Notes to the financial statements

for the financial year ended 30 June 2024

Notes to the financial statements

for the financial year ended 30 June 2024

In the notes that form part of the financial statements, a number of abbreviations are used. These abbreviations mean the following:

AASB means the Australian Accounting Standards Board.
ADI means Authorised Deposit-taking Institution.
ALLC means the Defence Bank Asset, Liability and Liquidity Committee.
APRA means the Australian Prudential Regulation Authority.
Cuscal means Cuscal Limited.
ECL means Expected Credit Losses.
FVTPL means Fair Value Through Profit or Loss.
GST means Goods and Services Tax.
IASB means the International Accounting Standards Board.
IFRIC means International Financial Reporting Interpretations Committee.
IFRS means International Financial Reporting Standards.
LVR means Loan to Value Ratio.
RBA means the Reserve Bank of Australia.
RMBS means Residential Mortgage Backed Securities.

1. General information

The Group comprises Defence Bank Limited ("the Bank") and its controlled entities, as disclosed within notes 3c and 30. The Bank is a limited company incorporated in Australia. The principal place of business is Level 10, 31 Queen Street, Melbourne, VIC 3000.

The principal activities of the Group during the reporting period were the raising of funds and the application of those funds in providing financial products and services to its members.

2. Application of new and revised accounting standards

a. Amendments to AASBs and the new Interpretations that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs issued by the AASB that are mandatorily effective for an accounting period that begins on or after 1 January 2023, and therefore relevant for the current financial year.

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates.
Requires the disclosure of material accounting policy information, rather than significant accounting policies, and clarifies how entities should distinguish changes in accounting policies and changes in accounting estimates.

AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
Clarifies that deferred taxes must be recognised where, on initial recognition of an asset or liability, the transaction gives rise to equal taxable and deductible temporary differences.

IAS1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of accounting policies
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the users of those financial statements make on the basis of those financial statements.

The effect of these amendments on the Group's financial statements is immaterial.

In addition, at the date of authorisation of the financial statements, the following IASB Standards and IFRC Interpretations were on issue but not yet effective, and the Australian equivalent Standards and Interpretations had not been issued. Unless otherwise stated below, the Group does not intend to adopt the standard early and the impact and potential effect of the revised Standards /Interpretations on the Group's financial statements are immaterial.

2. Application of new and revised accounting standards (continued)

b. Standards and Interpretations in issue not yet adopted

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current, and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	30 June 2025
AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024	30 June 2025
AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024	30 June 2025
AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2024	30 June 2025
AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	30 June 2026
AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability	1 January 2025	30 June 2026

3. Material accounting policy information

a. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the Bank comply with IFRS as issued by the International Accounting Standards Board. Consequently, this financial report has been prepared in accordance with, and complies with, IFRS as issued by the IASB.

The financial statements were authorised for issue by the directors on 22 October 2024.

b. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

3. Material accounting policy information (continued)

b. Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group is a company of the kind referred to in ASIC Corporations (Rounding in financial/directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Instrument, amounts in the directors' report and the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank, being the parent entity and its controlled entities. Combined, the Bank and its controlled entities are referred to in these financial statements as the Group. The name of the controlled entity is disclosed within note 30 to these financial statements. The controlled entity has a 30 June financial year end and is accounted for by the Bank at cost. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Controlled entities pertain to subsidiaries and are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer or member. The Group recognises revenue when it transfers control of a product or service to a customer or member in line with its performance obligations in the contract with the customer or member.

Interest income from a financial asset is recognised using its effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount on initial recognition. When a financial asset is classified as impaired, the Group ceases to recognise interest, although the Group will subsequently recognise interest income should the financial asset be returned to a non-impaired status.

Fee and commission income is recognised either at a point in time, or over time, in line with when the right to receive consideration has been attained or when service to the customer has been rendered.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

e. Leasing

<u>The Group as lessee</u>
The Group assesses whether a contract is, or contains, a lease at inception of the contract, based on the concept of control. The Group distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the Group, with control considered to exist if the Group has the right to obtain substantially all of the economic benefits from the use of an identified asset, and the right to direct the use of that asset.

3. Material accounting policy information (continued)

e. Leasing (continued)

The Group recognises a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these short term and low value leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. These expenses are presented within "Other expenses" in the consolidated statement of profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used;
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right of use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137. To the extent that the costs relate to a right of use asset, the costs are included in the related right of use asset.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Group expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies AASB 136 to determine whether a right of use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

f. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

3. Material accounting policy information (continued)

g. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available, against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives used for property, plant and equipment are as follows:

Leasehold improvements	3 years - 10 years
Plant and equipment	2 years - 10 years

Assets costing less than $1,000 are not capitalised, but are expensed.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Material accounting policy information (continued)

i. Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The estimated useful life used for intangible assets are as follows:

Computer software	2.5 years - 5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Following guidance from IFRIC, with regards to capitalisation of certain costs within intangible assets, specifically in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service ("SaaS") arrangements, it is the Bank's policy to expense all such items as incurred.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

k. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Material accounting policy information (continued)

k. Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

l. Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>
All purchases or sales of financial assets are recognised and derecognised on a trade date basis. Purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
Financial assets that meet the following conditions are measured subsequently at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset or liability, and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Cash and cash equivalents
Cash comprises notes and coins on hand and unrestricted balances held with other financial institutions. Cash equivalents are highly liquid investments which are subject to an insignificant risk of changes in their fair value, and are carried at amortised cost.

Investments at amortised cost
Investments where the Group's objective is to hold the financial assets to collect the contractual cash flows, which are solely payments of principal and interest, are classified as 'Amortised cost'. Amortised cost investments are measured at amortised cost using the effective interest method less any expected credit losses.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any expected credit losses.

Equity investments
The Group has investments in unlisted shares that are not traded in an active market but are classified as FVTPL and stated at the best estimate of fair value, as disclosed in notes 11 and 32e. Any fair value gains or losses are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3. Material accounting policy information (continued)

l. Financial instruments (continued)

Impairment of financial assets
Impairment of financial assets is measured using an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

The recognition of expected credit losses is based on a three-stage process which is intended to reflect the deterioration in credit quality of a financial instrument.

- Stage 1 covers financial instruments for which there has not been a significant increase in credit risk (SICR) since initial recognition;
- Stage 2 covers financial instruments for which there has been a SICR but where there is no objective evidence of impairment;
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date, assessed on an individual basis with reference to the specific circumstances of that financial asset. Objective evidence of impairment is generally taken to be 90 days past due, or other indication of financial difficulty.

12-month expected credit losses (ECL) are recognised in stage 1, while lifetime ECL are recognised in stages 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group has accepted the rebuttable presumption within AASB 9 that the credit risk on a financial instrument has increased significantly when contractual payments are more than 30 days past due. The ECL for credit-impaired financial assets is generally measured as the difference between the contractual and expected cashflows.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument, taking account of the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD), and includes a forward-looking macroeconomic assessment and overlays designed to represent model risk and possible future changes to underwriting risk appetite.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the expected credit loss decreases and the decrease can be related objectively to an event occurring after the expected credit loss was recognised, the previously recognised expected credit loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the expected credit loss is reversed does not exceed what the amortised cost would have been had the expected credit loss not been recognised.

Expected credit losses for financial assets such as cash, investments and trade and other receivables have been determined by the Group to be immaterial.

Definition of default
The Group considers a financial asset to be in default when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the group). Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Modifications of financial assets and liabilities
Where the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

3. Material accounting policy information (continued)

l. Financial instruments (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If a financial asset is modified in a way that would result in forgiveness of cash flows, then the Group first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the results evaluation and means that the derecognition criteria are not usually met in such cases. If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate.

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re- computing the effective interest rate on the instrument.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities
Financial liabilities, including borrowings, deposits and trade and other payables, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Securities sold under agreements to repurchase
Financial assets are pledged as collateral as part of sales and repurchase transactions. When the Group sells a financial asset and enters into an agreement to repurchase the asset at a fixed price on a future date, the arrangement is accounted for as a borrowing and the underlying financial asset continues to be accounted for in the Group's financial statements.

Secured borrowings from the RBA
Secured borrowings from the RBA represented amounts drawn down under the RBA Term Funding Facility. RMBS issued by DBL Funding Trust No. 1 Repo Series No. 1 met the RBA eligibility criteria and had been pledged as collateral by way of repurchase agreements with the RBA. These borrowings were carried at amortised cost and were repaid during the year ended 30 June 2024.

Floating rate subordinated notes
Floating rate subordinated notes are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. Interest is recognised using the effective interest rate method.

Deposits
Deposits are brought to account at the aggregate amount owing to depositors. Interest on deposits is brought to account on an effective interest rate basis in accordance with the interest rate terms and conditions applicable to each account.

m. Goods & Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:
- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

3. Material accounting policy information (continued)

m. Goods & Service Tax (GST) (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

n. Securitisation

Where the Group enters into a transaction that substantially transfers all the risk and rewards of ownership of the transferred assets, the Group derecognises the transferred assets. Where the Group enters into transactions that transfer assets recognised on its consolidated statement of financial position but retains substantially all of the risks and rewards of ownership of the transferred assets, the transferred assets are not derecognised by the Group.

In the case of all series of DBL Funding Trust No.1, the Group, and specifically the Bank as residual income unitholder, holds a first loss position, and therefore retains substantially all of the risks and rewards of ownership of the transferred assets.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying accounting policies

The following are critical judgements that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements.

Investments at amortised cost
The directors have reviewed the Group's investments at amortised cost in light of its capital maintenance and liquidity requirements and have confirmed the Group's objective to hold these assets with the intention of collecting the contractual cash flows. The carrying amount of investments at amortised cost is $479,355 thousand (2023: $435,741 thousand). Details of these assets are included in note 10.

b. Critical sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There have been no material changes in the estimation techniques or significant assumptions made in the reporting period ended 30 June 2024.

Provision for impairment of loans and advances
Expected credit losses for loans and advances represent the Group's best assumptions of losses incurred in the loan portfolio at the end of the reporting period. The Group is required to exercise judgement in making assumptions and estimates when calculating the ECL, and undertakes a probability-weighted assessment, taking account of the probability of default, the loss given default and the exposure at default, including a forward-looking macroeconomic assessment and the use of overlays designed to represent model risk and possible future changes to underwriting risk appetite. (Refer to note 3(l) for further detail).

Valuation of equity investments
The Group holds an investment in Cuscal shares that are not traded in an active market. As a quoted market price is not available for these shares, judgement is required in measuring their fair value. The Group has determined fair value using the last trade price, which is classed as a level 2 input, as defined in note 3(b).

5. Interest income and interest expense

The following tables show the average balance for each of the major categories of interest-earning assets and interest-bearing liabilities, the amount of interest income or expense and the average effective interest rate:

	Group			Bank		
	2024			2024		
	Average balance $000	Interest amount $000	Average interest rate %	Average balance $000	Interest amount $000	Average interest rate %
Interest-earning assets						
Cash and cash equivalents	141,805	5,928	4.18	110,775	4,652	4.20
Investments	467,084	22,724	4.87	467,084	22,724	4.87
Loans and advances	3,052,845	155,338	5.09	3,052,845	155,338	5.09
	3,661,734	183,990	5.02	3,630,704	182,714	5.03
Interest-bearing liabilities						
Borrowings	549,462	28,070	5.11	549,462	28,070	5.11
Deposits	2,872,395	84,687	2.95	2,872,395	84,687	2.95
Lease liabilities	2,669	60	2.25	2,669	60	2.25
	3,424,526	112,817	3.30	3,424,526	112,817	3.30
Net interest income		71,173			69,897	

	Group			Bank		
	2023			2023		
	Average balance $000	Interest amount $000	Average interest rate %	Average balance $000	Interest amount $000	Average interest rate %
Interest-earning assets						
Cash and cash equivalents	129,285	3,838	2.97	93,651	2,887	3.08
Investments	432,944	14,257	3.29	432,944	14,257	3.29
Loans and advances	2,797,832	110,953	3.97	2,797,832	110,953	3.97
	3,360,061	129,048	3.84	3,324,427	128,097	3.85
Interest-bearing liabilities						
Borrowings	485,854	15,814	3.25	485,854	15,814	3.25
Deposits	2,650,728	46,332	1.75	2,650,728	46,332	1.75
Lease liabilities	3,367	64	1.90	3,367	64	1.90
	3,139,949	62,210	1.98	3,139,949	62,210	1.98
Net interest income		66,838			65,887	

6. Other income and expenses

Included in the profit for the year from continuing operations are the following items of other income and expenses:

	Group		Bank	
	2024	2023	2024	2023
	$000	$000	$000	$000
Other income				
Dividends	205	178	205	178
Fee income from loan and deposit accounts	537	562	537	562
Other transaction fee income	1,316	1,128	1,316	1,128
Other service fee income	1,698	1,671	1,698	1,671
Other fee income	3	4	3	4
Insurance commissions	2,327	2,203	2,327	2,203
Other commissions	1,927	1,829	1,927	1,829
Credit losses recovered	87	53	87	53
Other income	850	786	2,790	2,719
	8,950	8,414	10,890	10,347
Personnel expenses				
Employee benefits	27,744	26,220	27,744	26,220
Provision for employee benefits	94	672	94	672
Termination benefits	234	2	234	2
Other personnel expenses	2,847	1,945	2,847	1,945
	30,919	28,839	30,919	28,839
Depreciation and amortisation expense				
Plant and equipment	249	233	249	233
Buildings and leasehold improvements	387	519	387	519
Computer software	123	285	123	285
Right of use assets	1,090	1,059	1,090	1,059
	1,849	2,096	1,849	2,096
Other expenses				
Occupancy expenses	546	558	546	558
Information technology expenses	9,836	9,140	9,836	9,140
External financial transaction processing fees and charges	4,642	4,233	4,642	4,233
Telephone expenses	441	453	441	453
Administration expenses	3,196	2,817	3,196	2,817
Marketing and promotion	2,472	2,393	2,472	2,393
Other expenses from ordinary activities	3,944	4,070	3,629	3,800
	25,077	23,664	24,762	23,394

7. Income tax expense

Income tax expenses recognised in profit or loss:

	Group		Bank	
	2024	**2023**	**2024**	**2023**
	$000	**$000**	**$000**	**$000**
Current tax expense:				
- in respect of current year	6,582	6,483	6,582	6,483
- in respect of prior year	(7)	19	(7)	19
Deferred tax income relating to the origination and reversal of temporary differences	(93)	(280)	(93)	(280)
Income tax expense	6,482	6,222	6,482	6,222

The income tax expense for the year can be reconciled to profit before income tax as follows:

	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Profit before income tax	21,705	20,700	22,684	21,952
Income tax calculated at 30% (2023: 30%)	6,512	6,210	6,805	6,585
Effect of expenses that are not deductible in determining taxable profit	39	47	8,000	4,402
Effect of income that is not assessable in determining taxable profit	-	-	(20,705)	(16,992)
Effect of income that is assessable in determining taxable profit	26	22	12,477	12,284
Effect of imputation credits	(88)	(76)	(88)	(76)
Adjustments recognised in the current year in relation to current tax of prior years	(7)	19	(7)	19
Income tax expense	6,482	6,222	6,482	6,222

8. Franking credits balance

The amount of franking credits available for the subsequent financial year are as follows:

	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Franking account balance as at the end of the financial year at 30% (2023: 30%)	132,145	122,755	132,145	122,755
Franking credits that will decline from the refund of income tax receivable as at the end of the financial year	(2,226)	(2,674)	(2,226)	(2,674)
	129,919	120,081	129,919	120,081

Since, under corporations and tax laws, the Group may only pay a dividend on shares to which a right to participate in dividends attaches, these franking credits are not presently available to members.

9. Cash and cash equivalents

	Group		Bank	
	2024	2023	2024	2023
	$000	$000	$000	$000
Cash on hand	1,992	2,194	1,992	2,194
Call deposits with ADIs	67,782	107,214	67,782	107,214
Restricted cash on deposit with ADIs	42,617	33,346	-	-
	112,391	142,754	69,774	109,408
Interest receivable - cash and cash equivalents	260	290	260	290
	112,651	143,044	70,034	109,698

Restricted cash on deposit with ADIs represents cash collections remitted by the Bank to DBL Funding Trust No. 1. The use of these funds is restricted under the terms of the DBL Trusts Master Servicing Deed.

10. Investments

	Group and Bank	
	2024	2023
	$000	$000
Term deposits with ADIs	19,950	19,950
Negotiable certificates of deposit	97,442	120,277
Floating rate notes	359,012	293,156
	476,404	433,383
Interest receivable - investments	2,951	2,358
	479,355	435,741
Maturity analysis		
Not longer than three months	99,316	127,557
Longer than three months, not longer than one year	75,776	49,480
Longer than one year, not longer than five years	254,273	234,300
Longer than five years	47,039	22,046
	476,404	433,383

11. Equity investments

	Group and Bank	
	2024	2023
	$000	$000
Unlisted shares in Cuscal - at FVTPL	5,325	5,325

12. Trade and other receivables

	Group		Bank	
	2024	2023	2024	2023
	$000	$000	$000	$000
Other operating receivables [1]	114	103	55,017	44,756
Trade debtors [2]	258	519	258	519
	372	622	55,275	45,275

1 Other operating receivables for the Bank primarily consist of funds in transit from DBL Funding Trust No. 1 which are expected to be settled in full within one month. As such, no interest is charged.

2 Trade debtors relate to commissions receivable which are expected to be settled in full within 30 days and are non-interest bearing. As at 30 June 2024 there are no past due or impaired trade and other receivables (2023: Nil).

13. Loans and advances

	Group and Bank 2024 $000	2023 $000
Overdrafts	3,043	3,045
Credit cards	10,737	10,198
Term loans	3,195,093	2,902,267
Gross loans and advances	3,208,873	2,915,510
Provision for impairment	(1,207)	(866)
Deferred loan fee income	(776)	(922)
Deferred loan origination expenses	7,637	6,720
Net loans and advances	3,214,527	2,920,442

Fee income earned and expenses incurred in the origination of loans and advances are deferred, and are initially recognised as part of the amortised cost of the loan. These amounts are then brought to account as and when the service is provided, generally over the expected life of the loan and are included as part of net interest income.

	Group and Bank 2024 $000	2023 $000
a. Contractual maturity analysis		
Overdrafts	3,043	3,045
Not longer than three months	31,935	29,361
Longer than three months, not longer than one year	94,778	87,562
Longer than one year, not longer than five years	481,917	440,782
Longer than five years	2,597,200	2,354,760
	3,208,873	2,915,510
b. Loans by security type		
Mortgage over property		
- Loan to value ratio up to and including 80%	2,440,447	2,172,927
- Loan to value ratio over 80% with Housing Australia Guarantee	106,931	93,688
- Loan to value ratio over 80% with mortgage insurance	382,182	414,990
- Loan to value ratio over 80% without mortgage insurance	82,545	56,224
	3,012,105	2,737,829
Mortgage over other assets	128,157	112,845
Unsecured	68,611	64,836
	3,208,873	2,915,510
c. Loans by purpose		
Residential owner-occupied property	2,511,173	2,226,055
Residential investment property	500,328	511,187
Commercial property	608	588
Other	196,764	177,680
	3,208,873	2,915,510

13. Loans and advances (continued)

	Group and Bank 2024 $000	Group and Bank 2023 $000
d. Loans by state		
Queensland	1,037,122	925,527
New South Wales	715,455	642,766
Australian Capital Territory	471,114	442,648
Victoria	376,661	344,716
South Australia	264,787	243,241
Western Australia	237,916	226,234
Northern Territory	74,150	65,268
Tasmania	31,668	25,110
	3,208,873	2,915,510
e. Loss provision		
Balance at the beginning of the financial year	866	1,010
Increase/(Decrease) in provision on loans and advances	573	(47)
Bad debts written off	(232)	(97)
Balance at the end of the financial year	1,207	866

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loss provision at 1 July 2023	312	69	485	866
Changes in the loss provision				
- Transfer to stage 1	129	(31)	(98)	-
- Transfer to stage 2	(1)	24	(23)	-
- Transfer to stage 3	(3)	(11)	14	-
- Loans written off	-	(10)	(169)	(179)
- Loans discharged	(55)	(12)	(122)	(189)
- Net change in credit risk	(118)	134	378	394
New loans and advances originated	163	70	82	315
Loss provision at 30 June 2024	427	233	547	1,207

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loss provision at 1 July 2022	309	251	450	1,010
Changes in the loss provision				
- Transfer to stage 1	190	(83)	(107)	-
- Transfer to stage 2	(1)	6	(5)	-
- Transfer to stage 3	(2)	(55)	57	-
- Loans written off	-	(14)	(56)	(70)
- Loans discharged	(66)	(97)	(122)	(285)
- Net change in credit risk	(250)	56	210	16
New loans and advances originated	132	5	58	195
Loss provision at 30 June 2023	312	69	485	866

Refer to notes 3(l) and 32(d) for the method by which the loss provision is calculated and for further detail on credit risk.

f. Concentration of credit risk

There are no loans to a single entity or group of entities which represent 10% or more of total equity. The Group has a concentration of credit risk by industry sector to the Australian Defence community (serving and former members of the Australian Defence Force, Defence civilians, contractors and families of this bond). This concentration is considered to be acceptable on the grounds that the Group was formed to secure the financial needs of these members and the employment concentration is not exclusive. Should members cease employment within the Australian Defence Force, the loans continue and other employment opportunities are available to members to facilitate the repayment of loans.

14. Property, plant and equipment

Reconciliation of the movement in the carrying amount of property, plant and equipment is as follows:

	Group and Bank				
	2024				
	Portable buildings $000	**Leasehold improvements $000**	**Plant and equipment $000**	**Work in progress[3] $000**	**Total $000**
At cost					
Balance at the beginning of the financial year	179	6,007	3,111	-	9,297
Additions	-	-	-	274	274
Disposals	-	(53)	(52)	-	(105)
Reclassifications	-	215	47	(262)	-
Balance at the end of the financial year	179	6,169	3,106	12	9,466
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(179)	(4,913)	(2,301)	-	(7,393)
Depreciation expense	-	(385)	(251)	-	(636)
Disposals	-	53	52	-	105
Balance at the end of the financial year	(179)	(5,245)	(2,500)	-	(7,924)
Carrying amount at 30 June 2024	-	924	606	12	1,542

	Group and Bank				
	2023				
	Portable buildings $000	**Leasehold improvements $000**	**Plant and equipment $000**	**Work in progress[3] $000**	**Total $000**
At cost					
Balance at the beginning of the financial year	179	5,975	2,860	100	9,114
Additions	-	-	111	282	393
Disposals	-	(135)	(75)	-	(210)
Reclassifications	-	167	215	(382)	-
Balance at the end of the financial year	179	6,007	3,111	-	9,297
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(179)	(4,529)	(2,143)	-	(6,851)
Depreciation expense	-	(519)	(233)	-	(752)
Disposals	-	135	75	-	210
Balance at the end of the financial year	(179)	(4,913)	(2,301)	-	(7,393)
Carrying amount at 30 June 2023	-	1,094	810	-	1,904

[3] Work in progress represents payments for items of property, plant and equipment that as at reporting date are not yet available for use. As such, depreciation has not commenced.

15. Intangible assets

Reconciliation of the movement in the carrying amount of intangible assets is as follows:

	Group and Bank 2024		
	Computer software $000	Work in progress[4] $000	Total $000
At cost			
Balance at the beginning of the financial year	6,072	-	6,072
Disposals	(2,844)	-	(2,844)
Balance at the end of the financial year	3,228	-	3,228
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(5,910)	-	(5,910)
Amortisation expense	(123)	-	(123)
Disposals	2,844	-	2,844
Balance at the end of the financial year	(3,189)	-	(3,189)
Carrying amount at 30 June 2024	39	-	39

	Group and Bank 2023		
	Computer software $000	Work in progress[4] $000	Total $000
At cost			
Balance at the beginning of the financial year	5,977	83	6,060
Additions	-	12	12
Reclassifications	95	(95)	-
Balance at the end of the financial year	6,072	-	6,072
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(5,625)	-	(5,625)
Amortisation expense	(285)	-	(285)
Balance at the end of the financial year	(5,910)	-	(5,910)
Carrying amount at 30 June 2023	162	-	162

[4] Work in progress represents payments for computer software that as at reporting date are not yet available for use. As such, amortisation has not commenced.

16. Right of use assets

Reconciliation of the movement in the carrying amount of right of use assets is as follows:

	Group and Bank 2024			
	Buildings $000	Computer equipment $000	Motor vehicles $000	Total $000
Balance at the beginning of the financial year	2,472	145	383	3,000
Lease modifications	-	(14)	(45)	(59)
Additions	-	-	90	90
Depreciation expense	(798)	(87)	(205)	(1,090)
Balance at the end of the financial year	1,674	44	223	1,941

	Group and Bank 2023			
	Buildings $000	Computer equipment $000	Motor vehicles $000	Total $000
Balance at the beginning of the financial year	3,073	242	263	3,578
Lease modifications	-	-	-	-
Additions	192	-	289	481
Depreciation expense	(793)	(97)	(169)	(1,059)
Balance at the end of the financial year	2,472	145	383	3,000

Total cash outflows for the year, in relation to lease obligations, are $1,291 thousand (2023: $1,301 thousand). Of this, $13 thousand (2023: $26 thousand) relates to short term leases, and $139 thousand (2023: $205 thousand) relates to leases of low value assets, neither of which are accounted for under AASB 16, instead being immediately recognised through the statement of profit or loss.

17. Deferred tax assets

The movement in temporary differences during the financial year is as follows:

	Group and Bank 2024		
	Opening balance $000	Recognised in profit or loss $000	Closing balance $000
Provisions for employee benefits not yet deductible	1,944	52	1,996
Provision for impairment on loans not yet deductible	261	102	363
Property, plant and equipment	872	(8)	864
Lease expenses not yet deductible	45	3	48
Intangible assets	122	(50)	72
Other gains not yet assessable	(1,106)	-	(1,106)
Accrued expenses not yet deductible	50	2	52
Prepayments	(149)	(8)	(157)
	2,039	93	2,132

17. Deferred tax assets (continued)

	Group and Bank 2023 Opening balance $000	Recognised in profit or loss $000	Closing balance $000
Provisions for employee benefits not yet deductible	1,691	253	1,944
Provision for impairment on loans not yet deductible	304	(43)	261
Property, plant and equipment	759	113	872
Lease expenses not yet deductible	29	16	45
Intangible assets	155	(33)	122
Other gains not yet assessable	(1,106)	-	(1,106)
Accrued expenses not yet deductible	76	(26)	50
Prepayments	(149)	-	(149)
	1,759	280	2,039

18. Other assets

	Group and Bank 2024 $000	2023 $000
Prepayments	2,320	2,200

19. Trade and other payables

	Group and Bank 2024 $000	2023 $000
Trade creditors	4	28
Other operating payables	530	463
Accrued expenses	2,278	2,425
	2,812	2,916

20. Deposits

	Group and Bank 2024 $000	2023 $000
Redeemable member shares	387	409
Call deposits	1,604,048	1,410,949
Term deposits	1,140,885	1,155,667
Electronic certificates of deposit	181,710	163,804
	2,927,030	2,730,829
Deferred borrowing costs	(47)	(104)
Interest payable - deposits	26,704	17,689
	2,953,687	2,748,414

20. Deposits (continued)

	Group and Bank 2024 $000	Group and Bank 2023 $000
a. Maturity analysis		
At call	1,604,436	1,411,358
Not longer than three months	513,941	501,164
Longer than three months, not longer than one year	753,405	709,857
Longer than one year, not longer than five years	55,248	108,450
	2,927,030	2,730,829

b. Concentration of deposits

There are no depositors whose deposits represent 10% or more of total liabilities.

21. Lease liabilities

	Group and Bank 2024 $000	Group and Bank 2023 $000
Lease liabilities	2,102	3,150
Maturity analysis		
Not longer than three months	277	266
Longer than three months, not longer than one year	747	806
Longer than one year, not longer than five years	1,078	2,078
	2,102	3,150

22. Borrowings

	Group and Bank 2024 $000	Group and Bank 2023 $000
Secured borrowings from the RBA	-	87,428
Other secured borrowings (refer to note 29)	586,862	415,719
Floating rate subordinated notes	15,000	15,000
	601,862	518,147
Deferred borrowing costs	(1,163)	(509)
Interest payable - borrowings	3,376	1,496
	604,075	519,134
Maturity analysis		
Not longer than three months	4,335	44,627
Longer than three months, not longer than one year	13,146	55,472
Longer than one year, not longer than five years	74,488	53,204
Longer than five years	509,893	364,844
	601,862	518,147

Secured borrowings from the RBA consisted of borrowings made under the RBA Term Funding Facility (TFF), which provides fixed rate, three year funding to ADIs, secured against high quality collateral. The Group made multiple drawdowns under the TFF, with the last drawdown maturing in June 2024. Repayment of the TFF occurred in five tranches, between July 2023 and June 2024.

The $15 million 10 year, non-call 5 year, floating rate subordinated notes were issued on 17th February 2021.

23. Reconciliation of liabilities arising from financing activities

	2023 $000	Cash flows $000	Non-cash movements $000	2024 $000
Securities sold under agreements to repurchase	87,428	(87,428)	-	-
Secured borrowings	415,719	171,144	-	586,863
Floating rate subordinated notes	15,000	-	-	15,000
Lease liabilities	3,150	(1,079)	30	2,101
Deferred borrowing costs	(509)	(898)	244	(1,163)
	520,788	81,739	274	602,801

24. Provisions

	Group and Bank	
	2024 $000	2023 $000
Provision for salary incentives	1,668	1,586
Annual leave provision	1,881	1,942
Long service leave provision	3,108	2,953
Provision for fringe benefits tax	41	32
	6,698	6,513
Maturity analysis		
Not longer than one year	5,982	5,796
Longer than one year	716	717
	6,698	6,513

25. Share capital

	Group and Bank	
	2024 $000	2023 $000
Balance at the beginning of the financial year	1,185	1,167
Transfer on redemption of redeemable member shares	23	18
Balance at the end of the financial year	1,208	1,185

Share capital represents the cumulative amount of redeemable member shares redeemed by the Group since 1 July 1999. Corporations law requires that the redemption of shares be made out of profits. Since the value of shares have been paid to members in accordance with the terms and conditions of the share issue, the balance represents the amount of profits appropriated to the account.

26. Reserves

	Group		Bank	
	2024 $000	2023 $000	2024 $000	2023 $000
Balance at the beginning of the financial year	232,851	218,391	244,158	228,446
Transfer from retained earnings	15,200	14,460	16,179	15,712
Balance at the end of the financial year	248,051	232,851	260,337	244,158

The reserve comprises the aggregate amount of all retained profits from ordinary activities after income tax since the Group's inception, less the aggregate amount relating to the redemption of redeemable member shares. Its purpose is to illustrate that, in a mutual organisation, these amounts are not available for distribution as dividends and that the reserve clearly represents members' equity in the Group.

27. Retained earnings

	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Profit from continuing operations after income tax	15,223	14,478	16,202	15,730
Transfers to share capital upon redemption of redeemable member shares	(23)	(18)	(23)	(18)
Transfers to general reserve	(15,200)	(14,460)	(16,179)	(15,712)
Retained earnings at the end of the financial year	-	-	-	-

28. Note to the statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and unrestricted balances held with other financial institutions. Profit for the year from continuing operations can be reconciled to net cash flows from operating activities as follows:

	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Profit for the year from continuing operations	15,223	14,478	16,202	15,730
Add non-cash items				
Increase/(decrease) in provision on loans and advances	573	(47)	573	(47)
Amortisation of deferred borrowing costs	243	206	243	206
Depreciation of property, plant and equipment	636	752	636	752
Depreciation of right of use assets	1,090	1,059	1,090	1,059
Amortisation of intangible assets	123	285	123	285
Decrease/(increase) in assets				
Interest receivable - cash and cash equivalents	30	(253)	30	(253)
Interest receivable - investments	(593)	(1,676)	(593)	(1,676)
Trade debtors	261	(135)	261	(135)
Prepaid expenses	(120)	15	(120)	15
Other operating receivables	(11)	36	(10,261)	6,115
Current tax assets	-	-	-	
Deferred tax assets	(93)	(280)	(93)	(280)
Investments	(43,021)	(30,996)	(43,021)	(30,996)
Overdraft balances	2	-	2	-
Credit card balances	(539)	(688)	(539)	(688)
Term loans	(294,121)	(252,638)	(294,121)	(252,638)
Increase/(decrease) in liabilities				
Interest payable - borrowings	1,880	763	1,880	763
Interest payable - deposits	9,015	15,440	9,015	15,440
Trade creditors	(24)	(6)	(24)	(6)
Accrued expenses	(147)	(177)	(147)	(177)
Unearned commissions	-	-	-	-
Provision for employee benefits	176	836	176	836
Current tax liabilities	1,255	157	1,255	157
Other provisions	9	20	9	20
Redeemable member shares	(22)	(19)	(22)	(19)
Other operating payables	67	(153)	67	(153)
Call deposits	193,099	(50,026)	193,099	(50,026)
Term deposits	(14,782)	290,857	(14,782)	290,857
Electronic certificates of deposit	17,963	(32,475)	17,963	(32,475)
Net cash used in operating activities	(111,828)	(44,665)	(121,099)	(37,334)

29. Securitisation arrangements

DBL Funding Trust No.1

The Bank has established DBL Funding Trust No. 1, which comprises five series: Repo Series No. 1, Series 2015-1PP, ANZ Warehouse Series, Salute Series 2021-1 and Salute Series 2024-1.

	Group and Bank					
	2024					
	Repo Series No. 1 $000	Series 2015-1PP $000	ANZ Warehouse Series $000	Salute Series 2021-1 $000	Salute Series 2024-1 $000	Total $000
Mortgage receivables	425,525	21,506	47,650	121,456	379,673	995,810
Securitisation liabilities to external investors	-	17,839	44,240	124,783	400,000	586,862

	Group and Bank					
	2023					
	Repo Series No. 1 $000	Series 2015-1PP $000	ANZ Warehouse Series $000	Salute Series 2021-1 $000	Salute Series 2024-1 $000	Total $000
Mortgage receivables	512,674	27,044	256,302	147,920	-	943,940
Securitisation liabilities to external investors	-	22,452	240,000	153,267	-	415,719

Repo Series No. 1 was established to facilitate the Bank's ongoing liquidity management. The Bank transfers eligible mortgage receivables to Repo Series No. 1 and simultaneously purchases the RMBS issued by the Series. The senior RMBS, which are rated Aaa(sf) by Moody's, are eligible for sale and repurchase transactions with the RBA and as such enhance the liquidity position of the Bank.

The securitisation liabilities to external investors represent the outstanding balance of the Senior notes issued by Series 2015-1PP and ANZ Warehouse Series, and the outstanding note balances of Salute Series 2021-1 and Salute Series 2024-1. These amounts have been recognised as secured borrowings of the Bank and are disclosed in note 22.

Salute Series 2021-1 and Salute Series 2024-1 meet APRA's operational requirements for regulatory capital relief under APS 120 Securitisation.

The mortgage receivables transferred to all of the above series have not been derecognised, as the Bank retains substantially all of the risks and rewards of the transferred assets (see note 3n).

30. Controlled entities

The parent entity is the Bank. Details in relation to its controlled entities at the end of the financial year are as follows:

Name	Country of establishment	2024 % owned	2023 % owned
DBL Funding Trust No. 1	Australia	100%	100%

Transactions with controlled entities The following transactions occurred with controlled entities:	2024 $000	2023 $000
Receipts		
Servicer fee	1,617	1,610
Trust manager fee	108	107
Trust administrator fee	216	215
Payments		
Payment of offset interest amounts under terms of trust deed	17,893	13,969

Additionally, the Bank receives distribution income from DBL Funding Trust No.1 and interest income on its investment. However, these amounts are not recognised on the Bank's stand-alone financial statements as the transfer of loans fails to meet the accounting derecognition criteria.

31. Financial commitments

Outstanding loan commitments	Group and Bank	
	2024 $000	2023 $000
Loans approved but not advanced	92,375	85,036
Amounts available for redraw under term loans	289,657	256,861
Unused balance of revolving credit facilities	41,606	41,281
	423,638	383,178

Generally, there are no restrictions to the withdrawal of funds within undrawn credit commitments, provided contractual repayments are maintained. Many of the commitments included above are expected, based on historical experience, to expire without being drawn upon. The amounts disclosed in this note do not form part of loans and advances as presented on the Consolidated statement of financial position and no ECL is calculated for these commitments.

32. Financial instruments

a. Categories of financial instruments	Group 2024 $000	Group 2023 $000	Bank 2024 $000	Bank 2023 $000
Financial assets				
Cash and cash equivalents	112,651	143,044	70,034	109,698
Financial assets at amortised cost:				
Investments	479,355	435,741	479,355	435,741
Trade and other receivables	372	622	55,275	45,275
Loans and advances	3,214,527	2,920,442	3,214,527	2,920,442
Financial assets at FVTPL:				
Equity investments [6]	5,325	5,325	5,325	5,325
	3,812,230	3,505,174	3,824,516	3,516,481
Financial liabilities				
At amortised cost:				
Borrowings	604,075	519,134	604,075	519,134
Deposits	2,953,687	2,748,414	2,953,687	2,748,414
Trade and other payables	2,812	2,916	2,812	2,916
	3,560,574	3,270,464	3,560,574	3,270,464

[6] Equity investments represents shares in Cuscal Limited (refer to note 11).

b. Financial risk management objectives

The Group is exposed to a number of risks arising from the use of financial instruments in the normal course of its operations. These risks primarily include market risk, credit risk and liquidity risk.

The Group seeks to manage these risks through a series of internal risk reports which analyse exposures by degree and by magnitude of risk. Key measures, which act as proxies for the specific risks, are tracked against pre-established thresholds set by the Board as part of its overarching risk management policy. Compliance with policy and exposure limits is reviewed by the internal auditor on an ongoing basis.

c. Market risk

Market risk is the risk of changes in market prices affecting the Group's income or the value of positions held by the Group. As the Group does not deal in foreign contracts, commodities or equity securities, market risk consists solely of interest rate risk. Interest rate risk is defined as the risk of change in the fair value of future cash flows arising from financial instruments due to variability in interest rates. The Group is exposed to interest rate risk as a result of mismatches between the repricing dates of financial assets and liabilities.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, whilst optimising return. To this end, the Board has in place a comprehensive market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. Management of interest rate risk is vested in the ALLC. The Committee meets regularly to review the interest rate risk position and takes decisions to mitigate identified market risks. Action taken by the ALLC is reported to the Board.

The Group does not enter into, or trade in, financial instruments for speculative purposes and as such the interest rate risk the Group is exposed to arises only from activities within its banking book.

There has been no material change to the Group's exposure to interest rate risk, or the manner in which these risks are managed and measured, over the reporting period.

32. Financial instruments (continued)

c. Market risk (continued)

The interest rate sensitivity analysis below indicates the sensitivity of the Group's profit and equity to changes in interest rates, and has been prepared assuming the balance of floating rate assets and liabilities outstanding at the end of the reporting period were outstanding for the whole reporting period. Accordingly, a 100 basis point increase in interest rates compared to actual rates would increase (decrease) profit and equity by the following amounts.

	Group		Bank	
	2024 $000	2023 $000	2024 $000	2023 $000
Profit after tax	7,364	4,512	7,065	4,278
Equity	7,364	4,512	7,065	4,278

d. Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk for the Group can be segregated as follows:

Loans and advances

The risk of losses that may arise from loans advanced to members is mitigated by the careful application of loan assessment criteria designed to ensure capacity to pay and by the nature and quality of any collateral taken as security. Where collateral is held, it is in the form of mortgage interests over residential property, mortgage insurance and guarantees with regard to housing loans, and other registered securities over motor vehicles with regard to personal lending.

In the case of loans secured by a registered first mortgage over residential property, the Group requires borrowers to obtain mortgage insurance to cover the total indebtedness to the Group in situations where the loan to valuation ratio is more than 80%. This policy might be waived at an individual loan level after taking into account the financial position of the borrower. Details of the loan to value ratio of the home loan portfolio are disclosed at note 13b.

The Group has a concentration of credit risk by industry sector to the Defence community (serving and former members of the Australian Defence Force, Defence civilians, contractors and families of this bond). This concentration is considered to be acceptable on the grounds that the Group was formed to secure the financial needs of these members and the employment concentration is not exclusive. Should members cease employment within the Australian Defence Force, the loans continue and other employment opportunities are available to members to facilitate the repayment of loans.

Investments

The risk of losses arising from investments made as part of managing the Group's liquid asset portfolio is mitigated by a series of policies that limit both the counterparties with which the Group transacts and also the aggregate exposure to any one counterparty.

There have been no changes to the manner in which credit risk is managed during the financial year.

The Group’s maximum exposure to credit risk at reporting date in relation to each class of financial asset is the gross carrying amount of those assets as indicated below. The credit quality of the Group's financial assets at the end of the financial year are as follows:

Credit risk exposure - Cash, cash equivalents and investments with other ADIs

Standard & Poor's or equivalent rating		Group		Bank	
		2024	2023	2024	2023
Long term	**Short term**	**$000**	**$000**	**$000**	**$000**
AAA to AA-	A1+	327,446	297,152	284,829	263,806
A+ to A-	A1 to A2	105,560	149,805	105,560	149,805
BBB+ to BBB-	A3	159,000	131,828	159,000	131,828
		592,006	578,785	549,389	545,439

32. Financial instruments (continued)

d. Credit risk (continued)

Ratings grades refer to Standard and Poor's (S&P) rating levels for long term and short term issuer ratings respectively. Where a counterparty is rated by an alternative ratings agency, its rating has been classified in line with the equivalent S&P rating. At 30 June 2024 an ECL assessment was undertaken in relation to cash and investments held with other ADIs, and has been determined to be immaterial (30 June 2023: immaterial).

Credit risk exposure - Loans and advances

An analysis of financial assets classified by risk grade under the expected credit losses model is as follows:

	Group and Bank 2024			
	Stage 1 $000	**Stage 2 $000**	**Stage 3 $000**	**Total $000**
Overdrafts	2,976	5	56	3,037
Credit cards	10,631	74	32	10,737
Term loans	3,179,691	323	15,085	3,195,099
Gross loans and advances	3,193,298	402	15,173	3,208,873

	Group and Bank 2023			
	Stage 1 $000	**Stage 2 $000**	**Stage 3 $000**	**Total $000**
Overdrafts	2,978	2	67	3,047
Credit cards	10,124	31	42	10,197
Term loans	2,897,079	284	4,903	2,902,266
Gross loans and advances	2,910,181	317	5,012	2,915,510

	Stage 1 $000	**Stage 2 $000**	**Stage 3 $000**	**Total $000**
Gross loans and advances at 1 July 2023	2,910,181	317	5,012	2,915,510
Transfer to stage 1	524	(44)	(480)	-
Transfer to stage 2	(309)	352	(43)	-
Transfer to stage 3	(12,569)	(10)	12,579	-
Loans written off	(27)	(8)	(184)	(219)
Loans discharged	(334,601)	(248)	(3,550)	(338,399)
New loans and advances originated	898,050	121	1,587	899,758
Other changes in loan balances	(267,951)	(78)	252	(267,777)
Gross loans and advances at 30 June 2024	3,193,298	402	15,173	3,208,873

Transfer to stage 3 represents an increase in the value of loans being provided some form of hardship accommodation.

In arriving at the loss provision for 30 June 2024, the Group undertook probability-weighted assessment, taking account of the probability of default, the loss given default and the exposure at default, including a forward-looking macroeconomic assessment and the use of overlays designed to represent model risk and possible future changes to underwriting risk appetite.

32. Financial instruments (continued)

d. Credit risk (continued)

It is important to note that the assumptions made in these assessments, and in determining the different possible scenarios, are subject to judgement. The possible scenarios considered in arriving at the 30 June 2024 loss provision are as set out below:

	Best case scenario	**Base case scenario**	**Worst case scenario**
Decline in residential property prices	0%	0%	20%
% payout by value for lender's mortgage insurance claims	100%	90%	70%
Probability of occurrence	25%	50%	25%

The effect on profit before tax if the probability of the base case scenario was 100% is set out below.

	2024		**2023**	
	Group $000	**Bank $000**	**Group $000**	**Bank $000**
Increase in profit and equity	85	85	69	69

The delinquency of financial assets classified as past due and/or impaired at the end of the financial year is as follows:

	Group and Bank	
	2024 $000	**2023 $000**
Not past due or impaired	3,155,939	2,867,247
Past due but not impaired:		
30 days or less past due	37,359	42,934
31-60 days past due	348	306
61-90 days past due	53	11
More than 90 days past due	1	-
	37,761	43,251
Impaired		
Not past due	14,648	2,950
30 days or less past due	-	1,172
31-60 days past due	80	64
61-90 days past due	177	98
More than 90 days past due	268	728
	15,173	5,012
	3,208,873	2,915,510

For additional disclosures on loans and advances and loss provisions, refer to note 3(l) and note 13.

Notes to the financial statements

for the financial year ended 30 June 2024

32. Financial instruments (continued)

e. Liquidity risk

Liquidity risk is the risk that the Group may experience difficulties in raising funds to meet its commitments. The objective of liquidity risk management is to ensure that the Group always has sufficient liquidity to meet its liabilities under both normal and stressed market conditions.

The Group manages liquidity risk primarily through adherence to Board policies that require the Group to maintain a minimum percentage of adjusted liabilities as liquid assets at all times. This policy is made with reference to APRA requirements for Minimum Liquid Holdings, as defined under APS 210, and sets out various trigger levels and the required course of action should the liquidity ratio fall below these levels.

The ALLC meets regularly to consider the liquidity position of the Group and set rates as appropriate to manage liquidity within policy requirements. As at 30 June 2024 the Minimum Liquid Holdings ratio was 15.7% (2023: 15.5%).

The Group maintains the following borrowing facilities with Cuscal at the reporting date:

	Group and Bank	
	2024 $000	**2023 $000**
Overdraft facility:		
Committed limit	5,000	5,000
Drawn amount	-	-
Total undrawn facilities available	5,000	5,000

The Bank also holds RMBS issued by DBL Funding Trust No. 1 Repo Series No. 1, which are eligible for sale and repurchase transactions with the RBA and serve to strengthen the Group's liquidity position. The value of securities outstanding that are eligible for sale and repurchase transaction with the RBA at the end of the reporting period are as follows:

	2024 $000	**2023 $000**
Aaa(sf) rated RMBS	394,394	488,424
Less: pledged as collateral for secured borrowings from the RBA (see note 22)	-	(173,870)
	394,394	314,554

To manage the liquidity risk arising from the financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Therefore, the Group believes it is not necessary to disclose a maturity analysis in respect of these assets to enable the users to evaluate the nature and extent of liquidity risk.

The following tables detail the contractual undiscounted cash flows of financial liabilities at the reporting date. The Group considers that the contracted maturities accurately represent the expected maturities.

	Group					
	2024					
Financial liabilities	**At call $000**	**Not at call, not longer than three months $000**	**Longer than three months, not longer than one year $000**	**Longer than one year, not longer than five years $000**	**Longer than five years $000**	**Total $000**
At amortised cost:						
Borrowings	-	12,047	35,931	188,403	783,528	1,019,909
Lease Liabilities	-	277	747	1,078	-	2,102
Deposits	1,604,435	531,241	787,145	60,610	-	2,983,431
Trade and other payables	-	2,812	-	-	-	2,812
	1,604,435	546,377	823,823	250,091	783,528	4,008,254

32. Financial instruments (continued)

e. Liquidity risk (continued)

	Group					
	2023					
Financial liabilities	**At call $000**	**Not at call, not longer than three months $000**	**Longer than three months, not longer than one year $000**	**Longer than one year, not longer than five years $000**	**Longer than five years $000**	**Total $000**
At amortised cost:						
Borrowings	-	8,920	26,547	226,355	583,093	844,915
Lease Liabilities	-	282	846	2,136	-	3,264
Deposits	1,411,358	511,048	736,539	117,148	-	2,776,093
Trade and other payables	-	2,916	-	-	-	2,916
	1,411,358	523,166	763,932	345,639	583,093	3,627,188

	Bank					
	2024					
Financial liabilities	**At call $000**	**Not at call, not longer than three months $000**	**Longer than three months, not longer than one year $000**	**Longer than one year, not longer than five years $000**	**Longer than five years $000**	**Total $000**
At amortised cost:						
Borrowings	-	12,047	35,931	188,403	783,528	1,019,909
Lease Liabilities	-	277	747	1,078	-	2,102
Deposits	1,604,435	531,241	787,145	60,610	-	2,983,431
Trade and other payables	-	2,812	-	-	-	2,812
	1,604,435	546,377	823,823	250,091	783,528	4,008,254

	Bank					
	2023					
Financial liabilities	**At call $000**	**Not at call, not longer than three months $000**	**Longer than three months, not longer than one year $000**	**Longer than one year, not longer than five years $000**	**Longer than five years $000**	**Total $000**
At amortised cost:						
Borrowings	-	8,920	26,547	226,355	583,093	844,915
Lease Liabilities	-	282	846	2,136	-	3,264
Deposits	1,411,358	511,048	736,539	117,148	-	2,776,093
Trade and other payables	-	2,916	-	-	-	2,916
	1,411,358	523,166	763,932	345,639	583,093	3,627,188

32. Financial instruments (continued)

e. Liquidity risk (continued)
Fair values
The aggregate fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Group			
	Carrying amount		Fair value	
	2024 $000	2023 $000	2024 $000	2023 $000
Financial assets				
Cash and cash equivalents	112,651	143,044	112,651	143,044
Financial assets at amortised cost:				
Investments	479,355	435,741	479,087	435,099
Trade and other receivables	372	622	372	622
Loans and advances	3,214,527	2,920,442	3,204,830	2,896,537
Financial assets at FVTPL:				
Equity investments [6]	5,325	5,325	5,325	5,325
	3,812,230	3,505,174	3,802,265	3,480,627
Financial liabilities				
At amortised cost:				
Borrowings	604,075	519,134	604,075	517,146
Deposits	2,953,687	2,748,414	2,957,462	2,748,787
Trade and other payables	2,812	2,916	2,812	2,916
	3,560,574	3,270,464	3,564,349	3,268,849

	Bank			
	Carrying amount		Fair value	
	2024 $000	2023 $000	2024 $000	2023 $000
Financial assets				
Cash and cash equivalents	70,034	109,698	70,034	109,698
Financial assets at amortised cost:				
Investments	479,355	435,741	479,087	435,099
Trade and other receivables	55,275	45,275	55,275	45,275
Loans and advances	3,214,527	2,920,442	3,204,830	2,896,537
Financial assets at FVTPL:				
Equity investments [6]	5,325	5,325	5,325	5,325
	3,824,516	3,516,481	3,814,551	3,491,934
Financial liabilities				
At amortised cost:				
Borrowings	604,075	519,134	604,075	517,146
Deposits	2,953,687	2,748,414	2,957,462	2,748,787
Trade and other payables	2,812	2,916	2,812	2,916
	3,560,574	3,270,464	3,564,349	3,268,849

[6] Equity investments represents shares in Cuscal Limited (refer to note 11).

The following tables set out the fair value hierarchy of financial assets and liabilities, as defined in note 3 (b). The Group applies discounted cash flow as the valuation technique for level 3 financial instruments, with the risk-adjusted discount rate as the key unobservable input. For equity investments, the last trade price is used as the best estimate of fair value.

32. Financial instruments (continued)

e. Liquidity risk (continued)

	Group			
	Fair value hierarchy - 2024			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash and cash equivalents	112,651	-	-	112,651
Investments	-	479,087	-	479,087
Trade and other receivables	-	-	372	372
Loans and advances	-	-	3,204,830	3,204,830
Equity investments	-	5,325	-	5,325
	112,651	484,412	3,205,202	3,802,265
Financial liabilities				
Borrowings	-	-	604,075	604,075
Deposits	-	-	2,957,462	2,957,462
Trade and other payables	-	-	2,812	2,812
	-	-	3,564,349	3,564,349

	Group			
	Fair value hierarchy - 2023			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash on hand and on deposit	143,044	-	-	143,044
Investments	-	435,099	-	435,099
Trade and other receivables	-	-	622	622
Loans and advances	-	-	2,896,537	2,896,537
Equity investments	-	5,325	-	5,325
	143,044	440,424	2,897,159	3,480,627
Financial liabilities				
Borrowings	-	-	517,146	517,146
Deposits	-	-	2,748,787	2,748,787
Trade and other payables	-	-	2,916	2,916
	-	-	3,268,849	3,268,849

	Bank			
	Fair value hierarchy - 2024			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash and cash equivalents	70,034	-	-	70,034
Investments	-	479,087	-	479,087
Trade and other receivables	-	-	55,275	55,275
Loans and advances	-	-	3,204,830	3,204,830
Equity investments	-	5,325	-	5,325
	70,034	484,412	3,260,105	3,814,551
Financial liabilities				
Borrowings	-	-	604,075	604,075
Deposits	-	-	2,957,462	2,957,462
Trade and other payables	-	-	2,812	2,812
	-	-	3,564,349	3,564,349

32. Financial instruments (continued)

e. Liquidity risk (continued)

	Bank			
	Fair value hierarchy - 2023			
	Level 1 $000	**Level 2 $000**	**Level 3 $000**	**Total $000**
Financial assets				
Cash on hand and on deposit	109,698	-	-	109,698
Investments	-	435,099	-	435,099
Trade and other receivables	-	-	45,275	45,275
Loans and advances	-	-	2,896,537	2,896,537
Equity investments	-	5,325	-	5,325
	109,698	440,424	2,941,812	3,491,934
Financial liabilities				
Borrowings	-	-	517,146	517,146
Deposits	-	-	2,748,787	2,748,787
Trade and other payables	-	-	2,916	2,916
	-	-	3,268,849	3,268,849

33. Operational risk

Operational risk refers to the risk of direct or indirect loss, resulting from inadequate or failed internal processes and systems, or from external events. Wherever possible, the Group incorporates operational risk controls into its processes, in a manner that is appropriate to the activities being conducted. Examples of these controls are set out below:

- clearly communicated policies and procedures;
- the integration of all relevant controls within these policies and procedures;
- regular monitoring of risk thresholds and limits, with reference to the Bank's risk appetite statement;
- ensuring adherence to all relevant laws and regulatory requirements;
- safeguarding the use of, and access to, the Bank's assets and records;
- maintaining segregation of duties by way of role separation and segregating systems access with the use of passwords and User-based authority levels, to protect the Bank against internal fraud; and,
- the promotion of effective IT security, including regular employee education, and restricting systems access through the use of passwords and other security measures.

34. Capital

Capital management
APRA Prudential Standards require ADIs to maintain at all times a minimum ratio of total capital to risk-weighted assets of 8%, comprising, at a minimum, a Common Equity Tier 1 ratio of 4.5% and a total Tier 1 ratio of 6.0%. The Group's capital ratio at the end of the financial year is as follows:

	Group and Bank	
	2024 %	**2023 %**
Common Equity Tier 1 ratio	16.3	15.4
Total Tier 1 Capital ratio	16.3	15.4
Tier 2 Capital ratio	1.1	1.1
Total Capital ratio	17.4	16.5

34. Capital (continued)

Tier 2 Capital includes a tier 2 capital instrument in the form of a $15 million 10 year, non-call 5 year, floating rate subordinated note, issued on 17th February 2021.

Under the securitisation deconsolidation principle, where the Bank participates in a securitisation that meets APRA's operational requirements for regulatory capital relief under APS 120 Securitisation, the underlying assets (i.e. the pool of residential mortgage loans) under such a securitisation may be excluded from the calculation of regulatory capital. Salute Series 2021-1 and Salute Series 2024-1 are compliant with APS 120, hence their assets are not included in the calculation of capital adequacy.

As part of its risk management framework, the Group has developed an Internal Capital Adequacy Assessment Process to monitor and manage capital in a manner that is consistent with the assessed risk exposure and forecast levels of business activity. Capital is managed in a range comfortably above the 8% minimum required by APRA and incorporates an annual assessment of appropriate risk exposures for operational, market and credit risks.

35. Key management personnel

Compensation of key management personnel
Key management personnel during the financial year comprised seven non-executive directors, and nine executive managers. The aggregate compensation made to key management personnel of the Group during the financial year is as follows:

	2024	**2023**
	$	**$**
Non executive directors' remuneration:		
Short-term employee benefits	777,463	751,623
Executive management remuneration:		
Short-term employee benefits	3,496,546	3,526,072
Other long-term benefits	105,121	262,706
	3,601,667	3,788,778
Total key management personnel remuneration:		
Short-term employee benefits	4,274,009	4,277,695
Other long-term benefits	105,121	262,706
	4,379,130	4,540,401

Transactions with key management personnel
Key management personnel may have undertaken transactions with the Group during the financial year. Any such transactions are conducted on terms no more favourable than would be offered to a third party transacting with the Bank on an arms length basis.

36. Remuneration of auditors

	Group		**Bank**	
	2024	**2023**	**2024**	**2023**
	$	**$**	**$**	**$**
Deloitte Touche Tohmatsu				
Audit or review of the financial statements	174,375	159,940	174,375	159,940
Statutory assurance services required by legislation to be provided by the auditor	87,381	76,010	87,381	76,010
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	31,185	86,900	31,185	86,900
Other services:				
- Consulting services	131,230	-	131,230	-
	424,171	322,850	424,171	322,850

36. Remuneration of auditors (continued)

	Group		Bank	
	2024 $	2023 $	2024 $	2023 $
Other auditors and their related network firms				
Other assurance and agreed-upon procedures under other legislation or contractual arrangements	170,127	229,382	170,127	229,382
Other services:				
- Tax consulting services	41,539	36,053	41,539	36,053
- Other consulting services	59,597	-	59,597	-
	271,263	265,435	271,263	265,435

Statutory assurance services required by legislation include audit or reviews of procedures in relation to Retirement Savings Accounts (RSA), Australian Financial Services Licence (AFSL), securitisation and Australian Prudential Standards APS 310 (Audit and Related Matters) and APS 910 (Financial Claims Scheme). The amounts disclosed in this note are inclusive of GST.

37. Subsequent events

Since the end of the financial year, the directors have not become aware of any matters or circumstances that may significantly affect the operations, results of those operations, or the state of affairs of the Group.

38. Approval of financial statements

The financial statements were approved by the Board of directors and authorised for issue on 22 October 2024.

Consolidated entity disclosure statement

as at 30 June 2024

The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the Corporations Act 2001. The entities listed in the statement are Defence Bank Limited and all the entities it controls in accordance with AASB 10 Consolidated Financial Statements.

		Body corporates		Tax residency	
Entity name	**Entity Type**	**Place formed or incorporated**	**% of share capital held**	**Australian or foreign**	**Foreign jurisdiction**
Defence Bank Limited	Body corporate	Australia	N/A	Australian	N/A
DBL Funding Trust No 1.	Trust	N/A	N/A	Australian	N/A

No entity included in the consolidated financial statements is a trustee of a trust, a partner in a partnership or a participant in a joint venture.

General information

Registration	Defence Bank Limited is a public company limited by shares (member shares) under the Corporations Act 2001 administered by the Australian Securities and Investments Commission ABN 57 087 651 385
Registered business name	Defence Bank
Australian financial services licence	Licence No. 234582
Registered office	Level 10, 31 Queen Street MELBOURNE VIC 3000
Corporate rating	Standard and Poor's BBB+ / Stable / A2 Moody's Investor Services Baa1 / Stable / P-2
Mail address	PO Box 14537 MELBOURNE VIC 8001
Telephone numbers	(03) 8624 5888 1800 033 139
Fax number	(03) 8624 5892
Email	info@defencebank.com.au
Website	www.defencebank.com.au
Interstate trading	Defence Bank is registered to trade in each State and Territory of Australia.

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Defence
Bank

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Defence Bank Limited ABN 57 087 651 385
AFSL/Australian Credit Licence 234582.
Support Office, Level 10, 31 Queen Street, Melbourne VIC 3000.

Defence Bank