2021 Annual Financial Report
of Australian Mutual Bank Ltd

ABN 93 087 650 726
Incorporated in Australia
AFSL and Australian Credit License number 236476

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2010

2021 ANNUAL REPORT

AUSTRALIAN MUTUAL BANK | SYDNEY MUTUAL BANK | Endeavour Mutual bank

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DIRECTORS' REPORT

The Directors present their report together with the Consolidated Financial Statements of Australian Mutual Bank Ltd (AMBL) and its subsidiary SCU Trust No.1 (together "the Group") for the financial year ended 30 June 2021. AMBL is a company registered under the Corporations Act 2001.

Information on Directors

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

Hans Roger Kludass

Chair (independent & non-executive)*

Qualifications
Bachelor of Commerce (Accounting)
Associate Diploma in Business (Accounting)

Experience
Director since 2009
Manager Parks Operations – Sutherland Shire Council 2019-present
Manager Waste Services – Sutherland Shire Council 2012-2019
Manager Building Operations – Sutherland Shire Council 2008-2012
Business Consultant – Sutherland Shire Council 1997-2008
Accountant – Sutherland Shire Council 1995-1997
Director & Chair – Australian Mutual Bank Ltd 2019-present
Chair – Sydney Credit Union Ltd 2015-2019
Deputy Chair – Sydney Credit Union Ltd 2010-2015
Director – Sydney Credit Union Ltd 2009-2010
Executive Officer – Sutherland Shire Council Employees Credit Union Ltd 2000-2009
Chair – Sutherland Shire Council Employees Credit Union Ltd 1997-2000

Fiona Louise Bennett

Deputy Chair (independent & non-executive)*

Qualifications
Bachelor of Business (Accounting, Finance & Economics)

Memberships
Certified Practising Accountant
Graduate member, Australian Institute of Company Directors

Experience
Director since 2011
Senior Accountant, Greyhound Welfare & Integrity Commission 2018-present
Board member, Western NSW Local Health District 2017-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Director, Select Credit Union Ltd 2011-2016
Various positions with CSR Ltd in accounting & financial control roles 1991-2007

Alex Claassens

Director (independent & non-executive)*

Memberships

Member, Australian Institute of Company Directors
Member, Australian Institute of Superannuation Trustees
Member, Association of Superannuation Funds Australia
Member, NSW Rail Regulator – NSW Branch Operations Forum 2013-present
Member, NSW ALP Administrative Committee 2010-present
Executive member, Unions NSW 2010-present

Experience

Director since 2009
NSW State Secretary and National Executive member, Rail Tram and Bus Union 2010-present
Board member, State Super 2012 - present
Board member, Sydney Alliance for Community Building 2013-present
Board member, Transport Heritage NSW 2016-present
Executive member, Unions NSW 2010-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Director, Encompass Credit Union Ltd 2009-2016
Train driver on the NSW rail network 1977-present

John Anthony Cottee

Director (independent & non-executive)*

Qualifications

Bachelor of Business (Accounting)
Diploma of Financial Studies

Memberships

Certified Practising Accountant
CPA Public Practice Certificate
Graduate member, Australian Institute of Company Directors
Member, Australian Institute of Management
Member, Mutuals Audit & Governance Professional Institute

Experience

Director since 2005
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Principal Consultant, Step Ahead Business Solutions 2004-present
Director, Select Credit Union Ltd 2012-2016
Director, Member First Credit Union Ltd 2005-2012
CEO, Prospect Credit Union Ltd 1996-2004

Kerrie Anne Daynes

Director (independent & non-executive)*

Qualifications
Graduate Certificate in Management (Professional Practice)

Memberships
Graduate member, Australian Institute of Company Directors

Experience
Director since 2004
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2014-2019
Director, Allied Members Credit Union Ltd 2008-2014
Director, Security Credit Union Ltd 2004-2008
16 years' experience in senior roles at Department of Human Services

Mark Edwin Sawyer

Director (independent & non-executive)*

Qualifications
Diploma of Financial Services
Certificate of Supervision (Industrial)

Memberships
Fellow, Institute of Managers & Leaders
Graduate member, Australian Institute of Company Directors

Experience
Director since 2003
Managing Director of a travel company 2008-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2005-2019
Director, Pinnacle Credit Union Ltd 2003-2005
Director, Karpaty Foundation Pty Ltd 2011-present
Director, licensed/registered club 1993-1994

Anton William Usher

Director (independent & non-executive)*

Qualifications
Bachelor of Laws (Hons 1)
Bachelor of Arts, Economics
Graduate Diploma of Applied Corporate Governance

Memberships
Graduate member, Australian Institute of Company Directors
Solicitor, member of the Law Society of NSW
Fellow, Governance Institute of Australia
Member, Institute of Chartered Secretaries & Administrators
Associate Fellow, Risk Management Institution of Australasia

Experience
Director since 2017
Manager, Sutherland Shire Council 2016-present
Director, Australian Mutual Bank Ltd 2019-present
Director, Sydney Credit Union Ltd 2017-2019
Over 25 years' experience in management, law, risk management, governance and compliance within the public and private sectors

Kristen Julie Watts

Director (independent & non-executive)*

Qualifications

Bachelor of Economics (Accounting)
Master of Commerce

Memberships

Chartered Accountant
Graduate member, Australian Institute of Company Directors

Experience

Director since 2010
Executive Director, RES Leadership Solutions 2017-present
Director, Pacific Link Housing 2020-present
Director, St Vincent de Paul Housing 2018-2020
Director, Australian Mutual Bank Ltd 2019-present
Director, Endeavour Mutual Bank Ltd 2016-2019
Director, Select Credit Union Ltd 2010-2016
Over 25 years' experience in asset management, commercial finance, risk management and investment governance

• Each director has been assessed against independence factors contained within the ASX Good Governance Principles. Directors with tenure of more than ten years have been further assessed, and it is considered that each director's period of tenure has not compromised the director's independence.

Information on the Chief Executive Officer

Mark Joseph Worthington

Chief Executive Officer

Qualifications

Bachelor of Arts
Master of Business Administration

Memberships

Graduate member, Australian Institute of Company Directors

Experience

Director, Transaction Solutions Ltd 2006-present
Director, Australian Mutuals Foundation Ltd 2015-present
Director, Shared Service Partners Pty Ltd 2019-present
CEO, Endeavour Mutual Bank Ltd 2016-2019
CEO, Select Credit Union Ltd 2004-2016
General Manager, CSR Employees Credit Union Ltd 2000-2004
Justice of the Peace
21 years' mutual banking management experience

Directors' Meeting Attendance

Meetings Attended	Board		Governance and Remuneration Committee		Board Audit Committee		Board Risk Committee	
	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended	Meetings Eligible	Meetings Attended
Fiona Bennett	8	8	6	6	-	-	6	6
Alex Claassens	8	7	-	-	-	-	6	6
John Cottee	8	8	-	-	5	5	-	-
Kerrie Daynes	8	8	-	-	5	5	-	-
Hans Kludass	8	7	6	5	5	4	-	-
Mark Sawyer	8	8	-	-	-	-	6	6
Anton Usher	8	8	6	6	-	-	6	6
Kristen Watts	8	8	6	6	5	5	-	-

Directors' Benefits

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Group, controlled entity, or a related body corporate with a Director, a firm of which a Director is a Member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

Company Secretary

The following person held the position of Company Secretary during the financial year:

Mr Simon Brasier ACIS, FIPA was appointed Company Secretary of Australian Mutual Bank from 1 October 2019. Mr Brasier has been employed by the predecessor organisations of Australian Mutual Bank since 1990, and is currently the Executive Manager - Operations and Company Secretary.

Indemnifying Directors, Officers and Auditors

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

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

Financial Performance Disclosures

Principal Activities

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

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

Review of Operations and Results

The net profit of the Group for the year after providing for income tax was $955,020 (2020 $156,074). One off expenses of $4,142,756 related to restructuring and branch closures affected the results. As at 30 June 2021 capital adequacy was 20.67% which is well above the statutory minimum of 8%.

The impact of the Covid-19 pandemic is ongoing and continues to affect both the global and Australian economies. However, as at 30 June 2021 Australian Mutual Bank did not have any borrowers participating in temporary repayment relief. Borrowers provided with temporary repayment relief during the financial year returned to contractual terms and conditions by 30 June 2021. After 1 July 2021 the Group continues to manage a small number of Covid-19 affected loan repayment deferrals. It is not practicable to estimate the potential impact, positive or negative, after the reporting date however the Group believes that the level of expected credit losses provided for as at 30 June 2021 remains appropriate. The Group is continuing to monitor the potential impact of Covid-19 on our members, operations and performance.

Australian Mutual Bank's Sustainability Report provides a more detailed review of activities and operations, and environmental and social performance. The Sustainability Report is available at www.australianmutual.bank under the "Disclosures" tab.

Dividends

Since the end of the previous financial year, no dividends have been paid or declared by the Directors of the Group.

Significant Changes in State of Affairs

There were no significant changes in the state of the affairs of the Group during the year.

Events Occurring after Balance Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect in subsequent years, the operations or state of affairs of the Group.

Likely Developments and Results

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

(i) The operations of the Group in future financial years;

(ii) The results of those operations in future financial years; or

(iii) The state of affairs of the Group in future financial years.

Environmental Legislation

The Group's operations are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Auditor Independence

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set on page 11 of this report.

Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that legislative instrument amounts in the Directors' Report and the Financial Report have been rounded off to the nearest one thousand dollars ($'000), unless otherwise indicated.

Regulatory Disclosures

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely the Common disclosure in Attachment A and the Regulatory Capital reconciliation) are located at the Group's website at https://www.australianmutual.bank

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

H Kludass	K Watts
Chair	Chair, Board Audit Committee

Dated this 29 September 2021

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Australian Mutual Bank Ltd:

   (a) the Consolidated Financial Statements and Notes that are set out on pages 15 to 54 are in accordance with the Corporations Act 2001, including;

      (i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

   (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2. The Directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of Directors:

H Kludass
Chair

Dated this 29 September 2021

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

To the Directors of Australian Mutual Bank Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Australia Mutual Bank Ltd for the financial year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Peter Zabaks
Partner

Sydney

29 September 2021

KPMG

Independent Auditor's Report

To the members of Australian Mutual Bank Ltd

Opinion

We have audited the ***Financial Report*** of Australian Mutual Bank Ltd (the Mutual Bank) and the ***Financial Report*** of the Group.

In our opinion, the accompanying Financial Report of the Mutual Bank and the Group is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Mutual Bank and the ***Group***'s financial position as at 30 June 2021and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Mutual Bank and the Group comprises:

- Consolidated statement of financial position as at 30 June 2021
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Mutual Bank and the entity it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

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

Other Information

Other Information is financial and non-financial information in Australian Mutual Bank Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Peter Zabaks
Partner

Sydney

29 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Interest income	2.a	**38,939**	44,426
Interest expense	2.c	**5,689**	12,123
NET INTEREST INCOME		**33,250**	32,303
Fees, commission and other income	2.b	**4,017**	4,212
NET INTEREST INCOME AND OTHER INCOME		**37,267**	36,515
NON INTEREST EXPENSES			
Impairment losses on financial assets	2.d	**745**	637
Fee and commission expenses		**4,585**	4,373
		5,330	5,010
General administration			
- Employees' compensation and benefits		**17,159**	18,934
- Depreciation and amortisation	2.f	**3,704**	4,365
- Information technology		**3,911**	3,444
- Office occupancy		**2,621**	892
- Other administration		**1,288**	2,588
Total general administration		**28,683**	30,223
Other operating expenses		**1,874**	1,166
TOTAL NON INTEREST EXPENSES		**35,887**	36,399
PROFIT BEFORE INCOME TAX		**1,380**	116
Income tax expense/(benefit)	3	**425**	(40)
PROFIT AFTER INCOME TAX		**955**	156
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Movement in reserve for equity instruments at fair value through other comprehensive income	22(i)	**(681)**	894
Movement in reserve for land and buildings at fair value	22(i)	**930**	160
TOTAL COMPREHENSIVE INCOME		**1,204**	1,210

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2021

	Note	2021	2020
		$'000	$'000
ASSETS			
Cash and cash equivalents	4	**15,928**	15,812
Receivables	5	**2,931**	3,696
Prepayments		**602**	536
Loans and advances	6 & 7	**1,153,671**	1,175,410
Receivables due from other financial institutions	8	**158,159**	171,815
Investment and equity securities	9	**366,592**	257,338
Property, plant and equipment	10	**24,928**	24,931
Right-of-use assets	11	**2,312**	5,870
Taxation assets	12	**275**	2,557
Intangible assets	13	**743**	659
TOTAL ASSETS		**1,726,141**	1,658,624
LIABILITIES			
Lease liabilities	14	**3,519**	6,204
Borrowings	15	**36,451**	-
Deposits from members	16	**1,487,694**	1,458,238
Creditor accruals and settlement accounts	17	**12,392**	10,349
Deferred tax liability	18	**1,281**	2,420
Provisions	19	**7,454**	5,492
Income tax liabilities	20	**225**	-
TOTAL LIABILITIES		**1,549,016**	1,482,703
NET ASSETS		**177,125**	175,921
MEMBERS' EQUITY			
Capital reserve account	21	**1,454**	1,436
Asset revaluation reserve	22(i)	**9,279**	9,030
General reserve	22(ii)	**14,041**	14,041
Transfer of business reserve	23	**86,648**	86,648
Retained earnings		**65,703**	64,766
TOTAL MEMBERS' EQUITY		**177,125**	175,921

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
for the Year Ended 30 June 2021

	Capital Reserve	Retained Earnings	Asset Revaluation Reserve	General Reserve	General Reserve for Credit Losses	Transfer of Business Reserve	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Total as at 30 June 2019	735	64,617	7,976	14,041	-	-	87,369
Profit for the year	-	156	-	-	-	-	156
Other comprehensive income for the year	-	-	1,054	-	-	-	1,054
Transfer to/(from) Reserves	7	(7)	-	-	-	-	-
Transfer of business from Endeavour Mutual Bank	694	-	-	-	-	86,648	87,342
Total as at 30 June 2020	1,436	64,766	9,030	14,041	-	86,648	175,921
Balance as at 1 July 2020	**1,436**	**64,766**	**9,030**	**14,041**	**-**	**86,648**	**175,921**
Profit for the year	**-**	**955**	**-**	**-**	**-**	**-**	**955**
Other comprehensive income for the year	**-**	**-**	**249**	**-**	**-**	**-**	**249**
Transfer to/(from) Reserves	**18**	**(18)**	**-**	**-**	**-**	**-**	**-**
Total as at 30 June 2021	**1,454**	**65,703**	**9,279**	**14,041**	**-**	**86,648**	**177,125**

This Consolidated Statement of Changes in Members' Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**39,852**	44,576
Fees and commissions		**2,776**	2,927
Dividends		**569**	784
Other income		**548**	482
Interest paid		**(7,021)**	(13,575)
Suppliers and employees		**(24,999)**	(33,734)
Income taxes refunded (paid)		**1,184**	(1,121)
Decrease in member loans (net)		**18,092**	31,177
Decrease in non-member loans (net)		**2,893**	4,717
Increase in member deposits and shares (net)		**29,456**	67,114
Decrease (Increase) in receivables from other financial institutions (net)		**13,656**	(67,407)
Net cash from operating activities	37(b)	**77,006**	35,940
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		**21**	47
Purchase on intangible assets		**(386)**	(234)
Purchase of property, plant and equipment		**(162)**	(1,009)
Increase in investment securities		**(110,175)**	(35,108)
Net cash received on merger		**-**	5,596
Net cash used in investing activities		**(110,702)**	(30,708)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		**36,451**	-
Lease payments		**(2,639)**	(2,450)
Net cash from/(used in) financing activities		**33,812**	(2,450)
TOTAL NET CASH INCREASE		**116**	2,782
Cash at the beginning of the year		**15,812**	13,030
Cash at the end of the year	37(a)	**15,928**	15,812

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 30 June 2021

1 STATEMENT OF ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board (IASB). Australian Mutual Bank Ltd (AMBL) is a for profit entity for the purpose of preparing the financial statements.

This financial report is prepared for AMBL as a consolidated entity, for the year ended 30 June 2021. These consolidated financial statements as at and for the year ended 30 June 2021 comprises AMBL and the SCU Trust No. 1 (the Trust), a special purpose vehicle deemed under Accounting Standards to be controlled by AMBL the Parent Entity (together referred to as 'the Group'). See related parent entity disclosure at Note 35.The report was authorised for issue on 29 September 2021 in accordance with a resolution of the Board of Directors.

a. Basis Of Measurement

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

b. REPO Securitisation Trust Consolidation

AMBL has a Trust which holds rights to a portfolio of mortgage secured loans to enable AMBL to secure funds from the Reserve Bank of Australia, if required, to meet emergency liquidity requirements. AMBL continues to manage these loans and receives all residual benefits from the Trust and bears all losses should they arise. Accordingly:

(i) The Trust meets the definition of a controlled entity; and

(ii) As prescribed under the accounting standards, since AMBL has not transferred all risks and rewards to the Trust, the assigned loans are retained on the books of AMBL and not derecognised.

c. Significant accounting policies

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and liabilities are described below.

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

Classification and measurement of financial assets

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

· amortised cost;

· fair value through profit or loss (FVPL); and

· fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within interest income or interest expense, except for impairment of loans and receivables, which is presented within non interest expense.

Classifications are determined by both:

· the entity's business model for managing the financial asset; and

· the contractual cash flow characteristics of the financial assets.

Amortised cost

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on the specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.

Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair value through profit or loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of the business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL.

Fair value through other comprehensive income (FVOCI)

Financial assets including debt instruments are classified at fair value through other comprehensive income when they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. In certain circumstances, on initial recognition including for specific equity investments, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. These equity securities often represent investments that the Group intends to hold long term for strategic purposes. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend represents return of capital. This category includes unlisted equity securities held in Cuscal Ltd and TransAction Solutions Ltd. These companies supply services to the Group which designate its investments in equity securities as FVOCI. The shares are able to be traded but within a market limited to other mutual ADI's.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports record net tangible asset backing of these shares exceeding their cost value. Management has determined net tangible assets are a reasonable approximation and used as a proxy for fair value. Management has determined that the net tangible asset value of $1.08 per Cuscal share and $6.88 per TransAction Solutions share is a reasonable approximation of fair value based on the likely value available on a sale.

(i) Loans to members

Recognition and measurement

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are initially measured at fair value plus incremental direct transaction costs attributable to the origination of the loan or advance, which are primarily origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest rate method, less impairment costs.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Group considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract.

Interest earned

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

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

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

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

Balance offset loans – interest is calculated on the same basis as the variable mortgage rate loans, with the daily loan balance outstanding reduced by daily savings balance held in attached offset accounts.

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the Group is informed that the loan is impaired.

Loan origination fees

Loan establishment fees are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest income.

Transaction costs

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

Fees on loans

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

(ii) Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation. A full revaluation is performed every 3 years. Revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the Consolidated Statement of Comprehensive Income. A deferred tax liability is provided when a revaluation occurs. Revaluation decreases are debited to the Consolidated Statement of Comprehensive Income unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

All other classes of property, plant and equipment are recognised at cost, less accumulated depreciation.

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

- Buildings - 40 years;
- Leasehold Improvements – lesser of the lease term or 10 years;
- Plant and Equipment - 2 to 10 years;
- Assets less than $300 are not capitalised.

Investment property

Investment properties are measured at fair value less accumulated depreciation. A full revaluation is performed every 3 years. Revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the Consolidated Statement of Comprehensive Income. A deferred tax liability is provided when a revaluation occurs. Revaluation decreases are debited to the Consolidated Statement of Comprehensive Income unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

(iii) Receivables due from other financial institutions

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity except the Cuscal Security Deposit where interest is paid quarterly. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Consolidated Statement of Financial Position.

(iv) Investment securities

Negotiable Certificates of Deposit (NCD) and Floating Rate Notes (FRN) are held in this category.

These investment securities are measured at amortised cost. Interest earned is accrued in interest income using the effective interest rate method taking into account any discount or premium and qualifying transaction costs being an integral part of the instrument.

(v) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the Consolidated Statement of Financial Position. Interest is brought to account using the effective interest method.

(vi) Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Group are classified as intangible assets.

Computer software held as intangible assets is amortised over the expected useful life of the software. These lives range from 3 to 5 years.

(vii) Leases

Recognition and measurement

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

· the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

· the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;

· the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Group as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the company at the end of the lease term or the company is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

To determine the incremental borrowing rate, the company obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased (security).

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

· fixed payments (including in-substance fixed payments), less any lease incentives receivable;

· variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

· amounts expected to be payable by the company under residual value guarantees;

· the exercise price of a purchase option if the company is reasonably certain to exercise that option; and

· payments of penalties for terminating the lease unless the company is reasonably certain not to terminate the lease early.

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

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

· there is a change in future lease payments arising from a change in an index or rate;

· if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;

· if there is a change in the company's assessment of whether it will exercise a purchase, extension or termination option: or

· if there is a revised in-substance fixed lease payment.

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

Short-term leases and leases of low-value assets

The company does not have leases of low-vale assets and short-term leases. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment and small items of office furniture.

Group as a lessor

The Group's accounting policy under AASB 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Critical judgements in determining the lease term

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

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

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

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

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

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, members' deposits and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss ('FVPL').

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense, or non-interest expenses.

(viii) Borrowings

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

(ix) Members' deposits

Members' savings and term investments are initially recognised at the fair value of the amount received. After initial recognition, members' deposits are subsequently measured at amortised cost using the effective interest rate method.

(x) Loan Impairment

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

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

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

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

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

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

Measurement of ECL

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

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

The critical assumptions used in the calculation are as set out below. Note 24 details the credit risk management approach for loans.

Significant increase in credit risk

The Group continuously monitors assets subject to ECL. In order to determine whether a loan or portfolio of loans is subject to a 12 month ECL or lifetime ECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition. The Group also applies a secondary qualitative method for triggering a significant increase in credit risk, such as moving a facility to the hardship register or increasing utilisation of undrawn credit commitments.

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

Incorporation of forward-looking information

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected losses.

The Group performs an assessment, at the end of each reporting period, of whether the financial instrument's credit risk has increased significantly since initial recognition. Based on the process, the Group allocates the loans into Stage 1, Stage 2 and Stage 3 as described below:

· Stage 1 – When loans are first recognised, the Group recognises an allowance based on 12 month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

· Stage 2 – When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

· Stage 3 – Loans considered credit impaired.

The approach to determining the ECL includes forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio segment. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Group has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, regulatory change and external market risk factors. This is reviewed and monitored for appropriateness. The Group considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. Periodically the Group carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

The Group incorporates forward-looking information into its ECL methodology. Based on advice from the Group's Assets and Liability Committee and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by the Reserve Bank of Australia, the Australian Bureau of Statistics and other economic commentaries.

Modifications

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL).

Key assumptions in determining the ECL

Measurement of ECL

The key inputs into the measurement of ECL include the following variables:

· probability of default (PD);

· loss given default (LGD);

· exposure at default (EAD); and

· discounting.

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

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

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

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

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

Grouping of similar assets

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

The Group has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

· Mortgages

· Revolving credit

· Commercial loans

· Personal loans

· Credit cards

· Other – representing SocietyOne and LeasePlus

Stage 3 of the impairment model will be assessed on an individual basis.

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

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Benchmarking is assessed using a variety of sources including, but not limited to the banking industry, various jurisdictions, banking and financial regulatory reports and other economic and professional organisations. Benchmarking includes comparison to PD Stage 1 and Stage 2 and LGD.

Restructured financial assets

A "restructured loan" is defined as one in which the original contractual terms have been modified to provide for concessions of interest or principal for reasons related to the financial difficulties of a borrower. Examples are reductions of repayments, reductions of interest rate, or deferral of interest or repayments. The interest yield on a restructured item should equal at least the average cost of funds.

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

If the expected restructuring will not result in recognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;

If the expected restructuring will result in recognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

The Group considers a financial instrument credit-impaired in all cases when the borrower becomes 90 days past due on its contractual payments. In assessing financial assets being credit-impaired where a loan or group of loans move to stage 3 the following factors have been considered in the Group's current model:

· Loans more than 90 days past due;

· Significant financial difficulty of the borrower;

· Borrower has entered a bankruptcy or other financial arrangement;

· Material decrease in the underlying collateral value, if the loan is expected to be repaid from the sale of collateral.

Loans that are restructured due the financial deterioration of the customer are usually considered to be 'credit-impaired'.

When determining whether a financial asset is credit-impaired, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert judgement, relevant external factors and including forward-looking information.

The Group presumes that the financial assets are 'credit-impaired' when the exposure is more than 90 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

Write-offs

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write off financial assets that are still subject to enforcement activity. The Group may seek to recover amounts it is legally owned in full, but which have been partially written off to no reasonable expectation of full recovery.

(xi) Provision for employee benefits

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

Employee benefits expected to be settled within 12 months of the end of the reporting period have been measured at their nominal amount. Employee benefits not expected to be settled within 12 months of the end of the reporting period have been measured at present value of the estimated future cash outflows to be made for those benefits discounted using high quality corporate bond rates. Employee benefits consist of sick leave, annual leave and long service leave. Sick leave is short-term, non-vesting and accumulating.

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

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

Contributions are made by the Group to an employee's superannuation fund and are charged to the Statement of Comprehensive income as incurred.

(xii) Leasehold make good

A provision has been recognised for make good costs on operating leases based on the net present value of future expenditure at the conclusion of the lease term, discounted at interest rates attaching to government guaranteed securities for terms to maturity approximating the average term of the related liability. Increases in the provision in future years are recognised as part of the interest expense.

(xiii) Income Tax

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

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 26% (2020: 27.5%).

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

(xiv) Goods and Services Tax (GST)

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

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

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Consolidated Statement of Financial Position. Cash flows are included in the Consolidated Statement of Cash Flows on an inclusive basis of unrecoverable GST. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

d. Consolidation

Business combinations

The Group applies the acquisition method in accounting for business combinations.

Under Financial Sector (Transfers of Business) Act 1999 all the assets and liabilities of the transferring body, wherever those assets and liabilities are located, become (respectively) assets and liabilities of the receiving body without any transfer, conveyance or assignment.

The consideration transferred by the Group to obtain control of the net assets is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

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

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

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

Self-securitisation special purpose vehicle

The consolidated statements include those of AMBL and SCU Trust No.1, a self-securitisation Special Purpose Vehicle which was created on 4 August 2017. The Trust holds rights to a portfolio of mortgage secured loans, which in turn issued Residential Mortgage Backed Securities (RMBS) purchased by AMBL. The Class A RMBS held by AMBL are repo-eligible with the Reserve Bank of Australia and therefore can be utilised to secure funds from the Reserve Bank of Australia for the purpose of drawing from the RBA Term Funding Facility, or to meet emergency liquidity requirements.

The Trust is consolidated within the Group financials as AMBL, being the sole note holder of all the RMBS issued by SCU Trust No.1, retains all the economic benefits and risk associated with the Trust. Accordingly the underlying mortgage loans are not derecognised for financial reporting nor capital adequacy purposes. The Trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Members' Equity and Consolidated Statement of Cash Flows. All inter-company transactions have been eliminated on consolidation.

e. Rounding

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.The Group is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

f. New or emerging standards not yet mandatory

Certain standards have been issued by the Australian Accounting Standards Board that are not yet effective. The Group has considered these accounting standards and determined that their impact on the Group and its consolidated financial statements will be immaterial.

2 STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	2021 $'000	2020 $'000
a. Interest income		
Cash - deposits at call	9	49
Receivables due from financial institutions	3,321	5,343
Loans and advances	35,609	39,034
TOTAL INTEREST INCOME	38,939	44,426
b. Fee, commission and other income		
Fee and commission income		
Fee income on loans - other than loan origination fees	834	592
Fee income from member deposits	89	205
Other fee income	202	405
Insurance commissions	622	533
Other commissions	1,153	1,188
TOTAL FEE AND COMMISSION INCOME	2,900	2,923
Other income		
Dividends received on equity investments	569	784
Bad debts recovered	153	147
Income from property (rental income)	355	252
Gain on disposal of assets		
- Property, plant and equipment	-	23
Other income	40	83
TOTAL FEE, COMMISSION AND OTHER INCOME	4,017	4,212
c. Interest expenses		
Deposits from members	5,151	11,966
Deposits from ADI's	-	50
Overdraft	7	12
Borrowings	52	8
Interest - lease liability	129	87
Loan interest	350	-
TOTAL INTEREST EXPENSE	5,689	12,123
d. Impairment losses		
Loans and advances to members		
Increase in provision for impairment	318	68
Bad debts written off	275	176
Total impairment losses on loans to members	593	244
Other loans to non-members via SocietyOne		
Increase in provision for impairment	-	-
Bad debts written off	152	393
Total impairment losses on SocietyOne loans	152	393
TOTAL IMPAIRMENT LOSSES	745	637

	2021	2020
	$'000	$'000

e. Individually significant items of expenditure

	2021	2020
Restructure and merger costs		
Restructure Costs - Employee redundancy costs	1,652	144
Merger Costs - Employee redundancy costs	-	2,120
Merger Costs - Consultants	7	191
Merger Costs - Website	-	8
Merger Costs - IT	-	310
Merger Costs - Other	-	20
Merger Costs - Legal costs	-	22
Merger Costs - Postage	-	25
Merger Costs - Employee associated costs	-	7
Merger Costs - Branding	-	245
Merger Costs - Special general meeting	-	41
Merger Costs - Leasehold make good	-	154
Restructure Costs - Branch exit cost	2,387	-
Restructure Costs - Branding	97	-
Total restructure and merger costs	4,143	3,287

f. Prescribed expense disclosures

	2021	2020
General administration - employees costs include:		
- net movement in provisions for employee annual leave	-	336
- net movement in provisions for employee long service leave	273	401
- net movement in employee redundancy provision	1,652	2,389
- net movement in provisions for employee sick leave	50	77

	2021	2020
General administration - depreciation & amortisation expense comprises:		
Buildings	550	432
Plant and equipment	431	458
Leasehold improvements (includes leasehold make good provision)	300	461
Intangibles	302	264
Right-of-use asset	2,121	2,750
	3,704	4,365

Included within other operating expenses are auditor's remuneration as follows:

	2021	2020
Auditor's remuneration (GST exclusive)		
- Audit and review of financial statements	170	177
- Taxation Services	14	14
- Other services	1	-
	185	191

	2021	2020
Loss on disposal of assets		
- Property, plant and equipment	119	-
- Intangibles	-	166
	119	166

	2021 $'000	2020 $'000

3 INCOME TAX

a. The income tax expense comprises amounts set aside as:-

	2021 $'000	2020 $'000
Current tax expense/(benefit)	**546**	(1,028)
Adjustments for previous years	**166**	367
Deferred tax expense	**(287)**	621
TOTAL CURRENT INCOME TAX EXPENSE	**425**	(40)

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2021 $'000	2020 $'000
Profit before tax	**1,380**	116
Prima facie tax payable on profit before income tax at 26% (2020: 27.5%)	**359**	32
Add tax effect of expenses not deductible:		
- Other non-deductible expenses	**66**	44
- Imputation adjustments	**54**	87
- Adjustments for previous years	**166**	367
Subtotal	**645**	530
Less:		
- Deductions allowed not in accounting expenses	**(13)**	(24)
- Franking rebate	**(207)**	(316)
- Changes in tax rates	**-**	(230)
INCOME TAX EXPENSE ATTRIBUTABLE TO CURRENT YEAR PROFIT	**425**	(40)

c. Franking credits

	2021 $'000	2020 $'000
Franking credits held by the Group after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	**22,292**	23,271

4 CASH AND CASH EQUIVALENTS

	2021 $'000	2020 $'000
Cash on hand	**8,928**	8,212
Deposits at call	**7,000**	7,600
	15,928	15,812

5 RECEIVABLES

	2021 $'000	2020 $'000
Interest receivable on deposits with other financial institutions	**681**	1,585
Sundry debtors and settlement accounts	**2,250**	2,111
	2,931	3,696

	2021	2020
	$'000	$'000

6 LOANS AND ADVANCES

a. Amount due comprises:

	2021 $'000	2020 $'000
Overdrafts and revolving credits	**22,134**	25,480
Term loans	**1,131,568**	1,146,741
SocietyOne loans	**2,111**	5,106
LeasePlus leases	**3,346**	3,244
Subtotal	**1,159,159**	1,180,571
Less:		
Unamortised loan origination fees and transaction costs	**(173)**	(169)
Unearned income	**(28)**	(23)
Subtotal	**1,158,958**	1,180,379
Less:		
Provision for impaired loans (Note 7)	**(5,287)**	(4,969)
	1,153,671	1,175,410

b. Credit Quality - type of security held

	2021 $'000	2020 $'000
Secured by mortgage over business assets	**7,788**	5,775
Secured by mortgage over real estate	**1,108,634**	1,122,058
Partly secured by goods mortgage	**14,502**	17,775
Wholly unsecured	**28,235**	34,963
	1,159,159	1,180,571

LVR is calculated based on the current loan balance outstanding at the time of determining the LVR as a percentage of the independently assessed valuation of the property securing the loan, as recorded in our core banking system. Valuations are carried out at the inception of the loan, when a change is made to the loan, or a top-up funding occurs. Policy requires that independent valuations used be no more than 3 years old. It is deemed impractical to provide updates of the valuations on a regular or periodic basis due to the large number of assets involved that would require revaluation.

	2021	2020
	$'000	$'000
Loans with security held as mortgage against real estate is on the basis of:		
- loans to valuation ratio of less than 80%	**1,013,330**	1,011,172
- loan to valuation ratio of more than 80% but mortgage insured	**79,340**	99,912
- loan to valuation ratio of more than 80% and not mortgage insured	**15,964**	10,974
	1,108,634	1,122,058

c. Concentration of loans

The loan balances outlined below represent the total loan exposure as at 30 June 2021 excluding any undrawn commitments.

(i) There are no members who individually or collectively have loans, representing 10% or more of members' equity.

(ii) Loans are concentrated solely in Australia. Loans to members and non-members (via SocietyOne and LeasePlus) are principally in the following regions:

	2021 $'000	2020 $'000
New South Wales	**1,047,216**	1,064,899
ACT	**13,628**	12,193
Victoria	**26,747**	25,949
Queensland	**56,093**	59,280
Other	**15,475**	18,250
TOTAL	**1,159,159**	1,180,571

	2021	2020
	$'000	$'000
(iii) Loans by purpose were:		
Loans to natural persons		
Residential loans and facilities	**1,095,760**	1,105,011
Personal loans and facilities	**45,373**	53,913
SocietyOne loans	**2,111**	5,106
LeasePlus leases	**3,346**	3,244
	1,146,590	1,167,274
Loans to corporations		
Business loans and facilities	**12,569**	13,297
TOTAL	**1,159,159**	1,180,571

The Group has grouped loan concentrations to members employed in the public sector across all levels of government, being the Federal, State and Local Council levels, as well as the Energy Sector. Employment in these sectors has not been significantly impacted by the effects of the COVID-19 pandemic.

d. COVID-19 Impact on loan portfolio

In order to support our members through these tough financial times, the Group has granted repayment relief in line with the Federal Government's assistance package on loans where the ability of the borrower to repay the loan in accordance with the contractual terms has been affected by the events of the COVID-19 pandemic. The nature of the repayment relief took the form of approving borrowers to defer repayments of the loan for a period of time without incurring any enforcement action. As at 30 June 2021 there were no loan balances with repayment relief. The loans provided relief during the year had returned to contractual terms and conditions.

Throughout the COVID-19 pandemic, the Group has continued to closely monitor the loan portfolio and work with members to provide appropriate support as needed.

Portfolio analysis of COVID-19 affected loans	2021			2020		
	Number of accounts	$	% of Portfolio	Number of accounts	$	% of Portfolio
Loan Balances with loan repayment relief	-	-	-	136	46,219,195	3.92%
Of which:						
- Loans for housing	-	-	-	115	42,257,701	3.58%
Of which:						
• < =80% LVR	-	-	-	110	38,950,255	3.30%
• > 80% to 90% LVR	-	-	-	4	2,509,203	0.21%
• > 90% LVR	-	-	-	1	798,243	0.07%
- Loans for small business	-	-	-	10	2,968,645	0.25%
- Loans for other purposes	-	-	-	11	992,849	0.08%

7 PROVISION ON IMPAIRED LOANS

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2020	**3,809**	**435**	**725**	**4,969**
Transfers to stage 1	**318**	**-**	**-**	**318**
Changes in credit risk, balances and overlay	**(1,588)**	**(110)**	**(15)**	**(1,713)**
Changes in model parameters	**1,648**	**65**	**-**	**1,713**
Balance at 30 June 2021	**4,187**	**390**	**710**	**5,287**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2019	2,401	203	563	3,167
Transfers to stage 1	145	-	-	145
Changes in credit risk, balances and overlay	(410)	95	(3)	(318)
Changes to assumptions	79	14	-	93
Attributable from merger	1,594	123	165	1,882
Balance at 30 June 2020	3,809	435	725	4,969

	2021	2020
	$'000	$'000
Neither past due not impaired	**1,142,068**	1,158,119
Past due but not impaired	**16,113**	21,511
Impaired	**978**	941
TOTAL	**1,159,159**	1,180,571

	2021	2020
Gross loans and advances which are past due but not impaired		
1-30 days	**12,281**	14,509
31- 60 days	**2,087**	2,831
61-90 days	**944**	961
> 90 days	**801**	3,210
TOTAL	**16,113**	21,511

Impact of movements in gross carrying amount on impairment of loans and advances

Provision for impairment of loans and advances reflects expected credit losses (ECLs) measured using the three stage approach prescribed under AASB 9 Financial Instruments as further detailed below.

The following explains how significant changes in the gross carrying amount of loans and advances during the financial year have contributed to the changes in the impairment of loans and advances for the Group under the ECL model.

Overall, the impairment provision for loans and advances increased from $4.97 million at 30 June 2020 to $5.29 million at 30 June 2021.

This change was primarily driven by:

- $0.32 million was transferred into the provision for loan impairment. This is an additional overlay buffer applied on to the ECL provision. The uncertainty of the impact of COVID-19 on the Group has presented an increased risk to the forecast and additional judgement in the estimation of credit losses has been applied. Given the current uncertainty and judgement applied to determine the expected default of borrowers in future periods, expected credit losses reported by the Group are considered a best estimate in the current environment. The Group continues to closely monitor and measure the ECL provision with appropriate adjustments and professional judgement applied. This transfer to provision increased the management overlay to $1.67 million.
- $1.71 million from re-measurement of ECL assumptions during the year to reflect the change in economic conditions. The impact of COVID-19 on the domestic economy remains uncertain and unprecedented. In consideration of this economic environment, the Group revised the macro-economic assumptions used to assess ECL during the year and decreased the upside risk from 10% to 5% and increased the downside risk from 30% to 35%. The probability of default and loss given default weighting for downside risk was also revised and marginally increased during the year on the loan portfolios.

- An improvement in credit quality primarily in the mortgage portfolio and movements in the loan balances during the year did result in a reduction in the level of ECL provision allowance of $2.88 million.

Changes to economic assumptions in the model refers to the impact of changes to inputs to the ECL model under multiple economic scenarios. The Group obtains data from third party sources and the Group's asset and liability committee reviews the inputs to the ECL model including determining weights attributable to the scenarios. The impact on the loan portfolio was modelled based on anticipated changes in the unemployment rate, annual changes in property values, the outlook of future interest rates and a review of the significant increase in credit risk (SICR) assessment. The SICR assessment reviews the undrawn credit commitment trends, the Group's industry bonds and delinquency trends. The forward looking assumptions used in each economic scenario for the ECL calculations have been assigned weightings at June 2021 of upside 5%, base case 60% and downside 35% for key drivers of expected credit loss. The base case PDs have been assessed across the portfolio compared to prior year with the PD Stage 1 and Stage 2 and LGD stressed with weightings for upside, base case and downside scenarios for the portfolio segments of mortgages, revolving credit, credit cards, commercial loans, personal loans and other loans. The probability weighting is determined by management considering the risks and uncertainties surrounding the base case. The key consideration in the current period has been the COVID-19 outlook. In assessing this the Group has made adjustments to the underlying scenario forecasts.

	2021	2020
	$'000	$'000
Impaired loans written off		
Amounts written off against the provision for impaired loans	**-**	176
Total bad debts	**-**	176
Bad debts recovered in the period	**153**	147
Total bad debts recovered	**153**	147

8 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

- Deposits with banks	**111,859**	122,015
- Deposits with other financial institutions	**46,300**	49,800
TOTAL RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS	**158,159**	171,815

9 INVESTMENT AND EQUITY SECURITIES

Investment securities measured at amortised cost		
- Negotiable certificates of deposit	**191,491**	124,263
- Floating rate notes	**164,871**	121,924
- Subordinated debt	**500**	500
Total value of investment securities	**356,862**	246,687
Equity investment securities designated as at FVOCI		
- Cuscal Limited (refer note 33)	**6,213**	6,558
- TransAction Solutions Limited (refer note 33)	**3,477**	4,053
- Shared Services Partners Pty Limited	**40**	40
Total value of equity securities	**9,730**	10,651
TOTAL VALUE OF INVESTMENT AND EQUITY SECURITIES	**366,592**	257,338

Disclosures on valuation of shares

a. Cuscal Limited

This company is an APRA authorised deposit-taking institution that supplies services to the member organisations which are primarily mutual banks and credit unions. The Group holds shares in Cuscal to enable the Group to receive essential banking services – refer also to Note 33. The shares are able to be traded within a market limited to other Cuscal eligible shareholders. The volume of total shares traded is low with few transactions in recent years.

Management performed an assessment and determined that the net tangible asset value of $1.08 per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

b. TransAction Solutions Pty Limited (TAS)

This company operates to service mutual banks, credit unions and other non-mutual bank customers. The Group holds shares in TAS to enable the Group to receive essential core banking IT services – refer also to Note 33. The shares are able to be traded but within a market limited to other TAS eligible shareholders. The volume of total shares traded is low.

Management performed an assessment and determined that the net tangible asset value of $6.88 per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

	2021	2020
	$'000	$'000

10 PROPERTY, PLANT AND EQUIPMENT

a. Fixed assets

	2021 $'000	2020 $'000
Land and buildings at fair value	**22,135**	20,830
Less: accumulated depreciation	**(1,159)**	(530)
Total land & buildings	**20,976**	20,300
Plant and equipment - at cost	**3,235**	3,724
Less: accumulated depreciation	**(2,737)**	(2,884)
Total plant & equipment	**498**	840
Capitalised leasehold Improvements at cost	**3,156**	4,718
Less: accumulated depreciation	**(2,376)**	(3,622)
	780	1,096
Leasehold make good asset	**336**	501
Less: accumulated amortisation	**(222)**	(366)
	114	135
Total leasehold improvements and make good	**894**	1,231
TOTAL PROPERTY, PLANT AND EQUIPMENT	**22,368**	22,371

b. Investment properties

	2021 $'000	2020 $'000
Buildings - at fair value	**2,560**	2,560
Total investment properties	**2,560**	2,560
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**24,928**	24,931

Investment properties contain a number of commercial properties that are either leased, or available to be leased, to third parties. Each of the leases have an initial fixed term and derive annual rents indexed to the consumer price index. At the completion of the initial term, the lease will either have an option to re-lease or a new term will be negotiated.

Building Location	Date	Value Amount	Valuer
Unit 602 155 Castlereagh Street Sydney NSW	30/06/2018	$1,080,000	Alexandra McCann AAPI / Certified Practising Valuer API No. 83237
Lot 53/5 Aird Street Parramatta NSW	30/06/2018	$730,000	Haden Nolan AAPI / Certified Practising Valuer API No. 69851
Lot 54/5 Aird Street Parramatta NSW	30/06/2018	$750,000	Haden Nolan AAPI / Certified Practising Valuer API No. 69851
TOTALS		$2,560,000	

Management is comfortable that the amounts for buildings on the financial statements in the current year are an approximation of the fair value even though they were not revalued this year.

Movement in carrying value of property, plant and equipment and investment property:

	2021				2020			
	Property $'000	**Plant & equip $'000**	**Leasehold $'000**	**Total $'000**	Property $'000	Plant & equip $'000	Leasehold $'000	Total $'000
Opening balance	**22,860**	**840**	**1,231**	**24,931**	12,144	600	563	13,307
Revaluation adjustment	**1,257**	**-**	**-**	**1,257**	-	-	-	-
Purchases in the year	**2**	**133**	**27**	**162**	94	234	896	1,224
Transfer of business	**-**	**-**	**-**	**-**	11,054	476	233	11,763
Total	**24,119**	**973**	**1,258**	**26,350**	23,292	1,310	1,692	26,294
Less								
Assets disposed	**(33)**	**(44)**	**(64)**	**(141)**	-	(12)	-	(12)
Depreciation charge	**(550)**	**(431)**	**(300)**	**(1,281)**	(432)	(458)	(461)	(1,351)
Balance at the end of the year	**23,536**	**498**	**894**	**24,928**	22,860	840	1,231	24,931

During the year, three of the buildings were independently valued effective 30 June 2021 resulting in a revaluation adjustment of $1,257,000. The valuations were based on direct comparisons to recent market values in the surrounding area.

Building location	Value amount	Valuer
Lot 1, 18 Third Avenue Blacktown NSW 2148	$5,550,000	Kevin Murphy AAPI / Certified Practising Valuer API No. 77400 Kylie Smyth AAPI / Certified Practising Valuer API No. 68354
138 Waterloo Road Greenacre NSW 2190	$2,400,000	Kevin Murphy AAPI / Certified Practising Valuer API No. 77400 Kylie Smyth AAPI / Certified Practising Valuer API No. 68354
189 Clarinda Street PARKES NSW 2870	$300,000	Paul Logan AAPI / Registered Valuer Registered Valuer No. 77163 Andrew Saunders FAPI Certified Practising Valuer API No. 69154
TOTALS	$8,250,000	

Management is comfortable that the amounts for buildings on the financial statements in the current year are an approximation of the fair value even though they were not revalued this year.

	2021 $'000	2020 $'000
11 RIGHT-OF-USE ASSETS		
Balance 1 July	**5,870**	6,280
Additions (transfer of business)	**-**	3,732
Additions (new lease)	**522**	-
Modification/revaluations	**(457)**	(1,392)
Impairment	**(1,502)**	-
Depreciation	**(2,121)**	(2,750)
Balance 30 June	**2,312**	5,870

The Group has leases which are in respect of property used for providing branch services to members. Each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

A number of the Group's branches are scheduled to be closed prior to the expiry date of the lease. The Group will still be liable for the rent and outgoings for the branches closing prior to the finalisation of the lease. The portion of the right-of-use asset relating to the period after the branch is closed is provided in 2021 as an impairment expense.

The Group has committed to lease certain assets commencing subsequent to reporting date. The terms of these leases are as follows:

Right-of-use asset	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with options to purchase	Number of leases with variable payments	Number of leases with termination options
Right-of-use asset	0-4 years	1 years	3	-	-	-

	2021 $'000	2020 $'000
12 TAXATION ASSETS		
Income tax refundable	**-**	2,361
GST recoverable	**275**	196
	275	2,557
13 INTANGIBLE ASSETS		
Computer software	**3,755**	3,370
Less: accumulated amortisation	**(3,012)**	(2,711)
	743	659
Movement in the carrying amount of intangible assets during the year were:		
Opening balance	**659**	605
Purchases	**386**	234
Transfer of business	**-**	250
Less		
Amortisation charge	**(302)**	(264)
Assets disposed	**-**	(166)
Balance at the end of the year	**743**	659

	2021 $'000	2020 $'000

14 LEASE LIABILITIES

	2021 $'000	2020 $'000
Lease liabilities		
Current	**1,606**	2,399
Non-current	**1,913**	3,805
	3,519	6,204

	2021 $'000	2020 $'000
Balance 1 July	**6,204**	6,280
Additions (transfer of business)	**-**	3,679
Additions (new lease)	**522**	-
Payments for leases	**(2,639)**	(2,450)
Interest expense	**137**	87
Modifications	**(705)**	(1,392)
Balance 30 June	**3,519**	6,204

The total cash outflow for leases in 2021 was $2,639k (2020: $2,450k).

There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 1 to 10 years and options for renewal are usually obtained for a further period up to 5 years.

15 BORROWINGS

	2021 $'000	2020 $'000
RBA Term Funding Facility	**36,451**	-

The Reserve Bank of Australia established the Term Funding Facility (TFF) to authorised deposit-taking institutions (ADIs) as part of the policy response during the COVID-19 pandemic. The facility is closed to new drawdown from close of business on 30 June 2021.

16 DEPOSITS FROM MEMBERS

	2021 $'000	2020 $'000
Member deposits		
- at call	**1,037,993**	946,905
- term	**449,489**	511,103
- ADI's	**-**	-
Member withdrawable shares	**212**	230
TOTAL DEPOSITS & SHARES	**1,487,694**	1,458,238

Concentration of member deposits

There were no significant individual member deposits which in aggregate represent more than 10% of the total liabilities.

(i) Geographical concentrations

	2021 $'000	2020 $'000
New South Wales	**1,413,539**	1,394,064
ACT	**7,088**	6,549
Victoria	**17,842**	16,164
Queensland	**27,192**	25,704
Other	**22,033**	15,757
Total per Balance Sheet	**1,487,694**	1,458,238

A significant proportion of members are employed in the public sector across all levels of government, being the Federal, State and Local Council levels, as well as the Energy Sector.

	2021	2020
	$'000	$'000

17 CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2021 $'000	2020 $'000
Annual leave	**1,479**	1,619
Creditors and accruals	**8,318**	4,579
Interest payable on deposits	**914**	2,383
Accrual for GST payable	**74**	59
Sundry creditors	**1,607**	1,709
TOTAL AMOUNTS PAYABLE	**12,392**	10,349

18 DEFERRED TAX LIABILITY

	2021 $'000	2020 $'000
Deferred tax liability	**(5,884)**	(5,796)
Deferred tax asset	**4,603**	3,376
TOTAL DEFERRED TAX LIABILITIES	**(1,281)**	(2,420)

Deferred tax asset comprises:

	2021 $'000	2020 $'000
Accrued expenses not deductible until incurred	**74**	97
Provisions for impairment on loans	**1,375**	1,366
Provisions for employee benefits	**1,527**	1,662
Provision for leasehold make good	**102**	101
Provisions for branch closures	**444**	-
Other provisions	**142**	28
Depreciation on fixed assets	**887**	(21)
Business related capital expenditure	**18**	37
Unamortised loans origination and transaction fees	**3**	46
Deferred Income	**31**	60
Total	**4,603**	3,376

Deferred tax liability comprises:

	2021 $'000	2020 $'000
Revaluation of assets at fair value through OCI	**(5,884)**	(5,796)
Total	**(5,884)**	(5,796)
NET DEFERRED TAX LIABILITY	**(1,281)**	(2,420)

19 PROVISIONS

	2021 $'000	2020 $'000
Long service leave	**3,965**	3,979
Leasehold make good of premises	**594**	801
Employee entitlements	**1,610**	582
Branch closures	**742**	-
Other	**543**	130
TOTAL PROVISIONS	**7,454**	5,492

	2021	2020
	$'000	$'000

20 INCOME TAX LIABILITIES

	2021	2020
Provision for income tax payable/(receivable) (refer note 12)	**225**	(2,361)
Provision for income tax comprises:		
Provision for income tax receivable - previous year	**(2,361)**	(572)
Prior year adjustment	**854**	(229)
Transfer of business	**-**	(238)
Amount recovered	**1,507**	404
Under statement in prior year	**-**	(635)
Provision for tax current year	**545**	(1,028)
Less: Instalments paid in current year	**(320)**	(1,333)
CURRENT INCOME TAX LIABILITY/(ASSET)	**225**	(2,361)

21 CAPITAL RESERVE ACCOUNT

	2021	2020
Balance at the beginning of the year	**1,436**	735
Transfer from retained earnings on share redemptions	**18**	7
Transfer of business	**-**	694
Balance at the end of year	**1,454**	1,436

Share Redemption

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

22 OTHER RESERVES

	2021	2020
Asset revaluation reserve	**9,279**	9,030
General reserve	**14,041**	14,041
TOTAL OTHER RESERVES	**23,320**	23,071

Movements in Reserves

i. Asset Revaluation Reserve

The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.

	2021	2020
Balance at the beginning of the year	**9,030**	7,976
Increase in building valuation and equity investments	**249**	1,054
Less: asset revaluations realised	**-**	-
Balance at the end of year	**9,279**	9,030

The asset revaluation reserve as at 30 June 2021 consists of $2,422k related to revaluations of equity investments and $6,857k related to building revaluations.

ii. General Reserve

	2021	2020
Balance at the beginning of the year	**14,041**	14,041
Transfer to/from retained earnings	**-**	-
Balance at the end of year	**14,041**	14,041

	2021	2020
	$'000	$'000

23 TRANSFER OF BUSINESS RESERVE

	2021 $'000	2020 $'000
Balance at the beginning of the year	**86,648**	-
Transfer of business from Endeavour Mutual Bank	**-**	86,648
Balance at the end of the year	**86,648**	86,648

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board of Directors has endorsed a policy of Compliance and Risk Management to suit the risk profile of the Group.

The Group's enterprise risk management framework focuses on the major areas of market risk, credit risk, capital management, liquidity risk and operational risk. Authority flows from the Board of Directors to the Board Risk Committee and the Board Audit Committee which are integral to the management of risk. The Group operates a three lines of defence risk management and assurance model with the first line of defence as the Executive managers and business unit managers, the second line of defence the risk management and compliance functions and the third line of defence the internal audit function. The main elements of governance are as follows:

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

The Board has established a Governance Committee, Board Risk Committee, Board Audit Committee and other Committees as appropriate, to oversee critical functions. The Board retains responsibility for decision making at all times and for ensuring the performance of the duties delegated to the Committees, including Audit & Compliance and Risk Management.

Board Risk Committee (BRC): This is a key body in the control of risk. It comprises a minimum of 3 Directors. Executive Management and the Chief Risk Officer attend by invitation.

The BRC's purpose shall be to assist the Board by providing objective non-executive oversight of the implementation and operation of the Group's risk management framework and that it remains appropriate given the Group's size, business mix and complexity. The Committee will use prevailing best practice and adopt the methodologies of Australian Standards in relation to risk management e.g. AS/NZS ISO 31000:2009.

The Board Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations. Regular monitoring is carried out by the Risk Committee of operational reports and control assignments are reviewed by the Risk Committee to confirm whether risks are within the parameters outlined by the Board.

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

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

Asset & Liability Committee (ALCO): This committee of Executive and senior management meets monthly and has responsibility for managing and reporting risk exposure in the areas of:

- Credit risk,
- Liquidity risk,
- Capital risk,
- Market risk (including interest rate risk), and
- Financial and accounting risk.

It scrutinises operational reports and monitors exposures against limits determined by the Board. The ALCO Committee has responsibility for implementing policies to ensure that all risk exposures are properly measured and controlled.

This committee also has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies for interest rate GAP.

Executive Leadership Team (ELT): This Committee meets twice weekly, is chaired by the Chief Executive Officer, and reports to the Board of Directors. It is responsible for implementing the Board's strategic plan, operational planning and financial performance. The ELT is responsible for oversight of the Group's risks in the following areas;

- Strategic risks,
- Governance risks and
- Financial risks.

Operations Risk Committee: This committee of senior management meets quarterly, is chaired by the Chief Risk Officer and reports to the Board Risk Committee. It has responsibility for oversight of all Operational Risk matters, including in the areas of:

- Fraud risks,
- Regulatory risks,
- Business disruption risks and
- Business process risks.

Its responsibilities include ensuring that the Group operates within its Board mandated risk appetite and that operational risks are managed in accordance with its approved risk management strategy and supporting policies.

It reviews all proposed operational risk policy amendments prior to consideration by the Board Risk Committee. It also maintains oversight of all mediation plans associated with operational risks to ensure risks are maintained with Board approved limits.

Chief Risk Officer: The Chief Risk Officer provides advice to the Directors on risk management matters. The Chief Risk Officer is accountable through the Board Risk Committee for the implementation of Risk Management strategies, plans, policies, operating controls and processes to facilitate the identification, analysis and understanding of key material risks affecting the Group. The Chief Risk Officer also establishes an integrated risk management framework to manage those risks.

Internal Audit: Internal Audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee. Internal Audit is performed by a co-sourced arrangement with Grant Thornton Audit Pty Ltd and the Internal Audit Officer. Internal Audit is responsible for compliance and internal audit functions to ensure that systems and set procedures meet prudential standards and consumer legislation and to test the operation of such systems for improvement in codes, policies and rules as required.

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

- Market risk (primarily Interest Rate Risk),
- Liquidity management,
- Capital management,
- Credit risk management,
- Operations risk management including data and fraud risk management.

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

A. MARKET RISK

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

Market risk is the risk that potential changes in market prices may result in an adverse effect on the Group's financial condition or results. The Group does not engage in trading activities and therefore is not required to adopt the risk management practice nor hold regulatory capital as stipulated under APS116. The Group is only exposed to interest rate risk arising from the structural balance sheet position, which typically are associated with deposit and loan positions. No derivative trade has been transacted for the purpose of hedging during the last financial year.

ALCO maintains the management oversight of the Group's market risk position, which reports directly to the Board Risk Committee.

Interest Rate Risk

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

Interest rate risk in the banking book

Interest Rate Risk in the Banking Book (IRRBB) arise from the interest rate repricing mismatches between the repricing profiles of interest-sensitive assets and interest-sensitive liabilities, and therefore may adversely affect the Group financial outcomes as market interest rates change. IRRBB exposures are measured and reported to the ALCO, the Board Risk Committee and the Board, on a periodic basis.

Note 27 outlines the repricing profiles of the interest rate repricing profiles of the Group's interest-sensitive assets and interest-sensitive liabilities.

Method of Managing IRRBB

The Group IRRBB exposures must remain within the limits as outlined in the Group Market Risk policy approved by the Board. The ultimate objective is to ensure that the interest rate repricing mismatches are prudently managed.

The Group's exposure to IRRBB is measured and monitored using the historical Value-at-Risk (VaR) methodology. Historical VaR is a technique which estimates the change in the economic value of the Group's interest-sensitive assets and interest-sensitive liabilities, given a 99 per cent confidence-level and 20 days holding period, based on observable interest rate perturbation data over the past 12 months.

The Group also assess IRRBB using a sensitivity approach, calculating the change in economic value of the Group's interest-sensitive assets and interest-sensitive liabilities, based on a scenario of 200 basis points parallel shift across the yield curve.

The Group has the capability to manage interest rate repricing mismatches, if required, by utilising the core deposit and loan products offered to members. In essence, the Group may adjust the pricings of deposit and loan products to attract interest-sensitive assets / liabilities with preferred repricing terms for the purpose of narrowing the interest rate repricing mismatch. The Group's policy also permits the usage of derivatives to hedge (i.e. reduce) IRRBB exposures, however, no derivatives trade have been undertaken.

Based on the positions as at 30 June, the impacts on the net economic value (measured as a percentage of the Group's Tier 1 capital position), calculated based on a historical Value-at-Risk approach (99 per cent confidence level / 20 days holding period / 1 year's historical perturbation data), are as follows:

	2021	2020
As at 30 June	**0.11%**	0.06%
Average for the year	**0.13%**	0.15%
Minimum during the year	**0.04%**	0.06%
Maximum during the year	**0.20%**	0.25%

Given the above, the Group is not expected to incur losses exceeding the above VaR outputs, given the corresponding holding periods and confidence levels, in the event that mark-to-market valuation accounting treatment is to apply to the Group's structural balance sheets.

It should be noted that the Group is not required to hold regulatory capital against IRRBB under APS117.

B. LIQUIDITY RISK

Liquidity risk is the risk that an ADI cannot meet its financial obligations as they fall due, due to a wide range of reasons including (but not limited to) difficulty with raising new deposit funds to meet balance sheet growth, a "run" on the ADI's deposit portfolio, and inability to liquidate assets in time to meet obligations. Australian Mutual Bank Policy stipulates that the Group must have a risk management framework in place to measure, monitor and manage liquidity risk, and that the Group must maintain a portfolio of liquid assets that is sufficient in size to withstand a severe liquidity stress.

The Group manages liquidity risk by:

- Ongoing monitoring of actual and forecasted cash flows, in particular, the maturity profiles of the Group's funding base and liquidity portfolio;
- Maintaining a portfolio of high quality liquid assets that can be converted into cash within two business days;
- Entering into a mutual ADI liquidity support arrangement;
- Establishing and maintaining sufficient self-securitisation assets that can be utilised as a contingent funding source;
- Monitoring the Group's liquidity position on a daily basis; and
- Maintaining the relationship with wholesale funding providers, including other mutual ADIs and organisations that are affiliated with the industries of the Group's core memberships.

The Group has a longstanding arrangement with the industry liquidity support organisation, Credit Union Financial Support Services (CUFSS), which can access funds provided by other mutual ADIs at short notice, if required. The Group has not had any need to access funds from this source.

In response to the COVID-19 pandemic, the Reserve Bank of Australia had granted a committed funding availability, also known as the Term Funding Facility (TFF), to qualifying ADIs. The facility is closed to any new drawdown request from 1st July 2021, and the total outstanding TFF borrowings, as at 30 June 2021, is $36,450k.

APRA Prudential Standards APS210 stipulates that all ADIs under the Minimum Liquidity Holdings (MLH) regime must maintain a minimum of 9 per cent of total adjusted liabilities in qualifying liquid assets capable of being converted into cash within two business days. Qualifying liquid assets, in essence, includes cash, debt securities that are eligible for repurchase agreement with the RBA, and security deposits lodged with Cuscal (the Group's payment service provider). The Group's policy stipulates a higher internal requirement of 13 per cent (that is, a 4 per cent buffer above APRA minimum requirement).

The MLH ratio is calculated and communicated to the relevant senior management on a daily basis. Escalation and reporting protocols are in place in the event that the ratio falls below the Group's or APRA's minimum requirement.

In addition to the above, the Group also has in place a Standby borrowing / overdraft facility, and the details are outlined in Note 30. It should be noted that these facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in Note 25. The ratio of liquid funds over the past year is set out below:

	2021	2020
Minimum Liquidity Holdings	**$393,658,136**	$319,751,780
As at 30 June	**23.47%**	19.94%
Average for the year	**24.07%**	16.77%
Minimum during the year	**19.38%**	14.29%
Maximum during the year	**26.94%**	20.97%
Total Liquid Investments	**$501,280,621**	$399,394,382
As at 30 June	**29.88%**	24.91%
Average for the year	**29.22%**	22.94%
Minimum during the year	**26.56%**	17.05%
Maximum during the year	**31.02%**	28.71%

C. CREDIT RISK

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

(i) CREDIT RISK – LOANS

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

	2021 Carrying value $'000	2021 Commitments $'000	2021 Max exposure $'000	2020 Carrying value $'000	2020 Commitments $'000	2020 Max exposure $'000
Mortgage	1,095,760	119,412	1,215,172	1,105,011	112,447	1,217,458
Personal	29,390	7,397	36,787	37,765	6,772	44,537
Revolving credit	21,440	56,139	77,579	24,498	59,011	83,509
Total to natural persons	1,146,590	182,948	1,329,538	1,167,274	178,230	1,345,504
Corporate borrowers	12,569	-	12,569	13,297	-	13,297
Total	1,159,159	182,948	1,342,107	1,180,571	178,230	1,358,801

Carrying value is the value on the Consolidated Statement of Financial Position. Maximum exposure is the value on the Consolidated Statement of Financial Position plus the undrawn facilities (loans approved not advanced, available redraw facilities, and undrawn approved revolving credit line facilities). The details are shown in Note 29.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 6(c).

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring on a daily basis of defaults in the repayment of loans thereafter. The only concessions made in respect of COVID-19 loans has been not to recognise arrears on loans where repayment deferrals have been granted for an agreed period, and therefore provisions that might ordinarily have been raised against a loan in such circumstances in accordance with the Prudential Standards have not been raised, however increased provisions have been included in the AASB9 calculation to offset this position when required. The credit related policies have been approved by the Board of Directors, to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments).

The Group has established policies over the:

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

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

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. Past due does not mean that the counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days, loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

The Group monitors the loan repayments to detect delays in repayments daily. External collection agents may be engaged to assist with recovery action where this is deemed appropriate.

The exposures to losses arise predominantly in facilities not secured by registered mortgages over real estate. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Consolidated Statement of Comprehensive Income. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off. On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

Collateral securing loans

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

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The majority of loans secured by residential mortgages carry a LVR of 80% or less. Note 6b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – Industry

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

The aggregate value of large exposure loans are set out in Note 6c. The Group holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored.

(ii) CREDIT RISK – LIQUID INVESTMENTS

The inherent credit risk associated with the Group's liquid investment portfolio is referring the risk that the issuers of financial instruments fail to repay their obligations as they fall due, and therefore potentially exposing the Group to a financial loss.

The Bank's policy stipulates that liquid funds may only be invested, as at the time of the trade's execution, with ADI counterparties with investment grade credit ratings (Credit Risk Grades of 3 or above as per APS112), or with other unrated mutual ADIs. The Board have established policies and have stipulated diversification limits in accordance to the relevant Credit Rating Grade as determined in accordance to APRA prudential standard APS112. With respect to exposure to Cuscal, a limit of 50% of Tier 1 capital has been granted by APRA.

Whilst the Group is required to limit exposures to any single ADI counterparty to 25% of Tier 1 capital or below (as per APRA APS221 large exposure requirement), a lower limit of 20% and 10% of Tier 1 capital apply to individual ADI counterparty rated Credit Risk Grade 3 and Unrated, respectively. Furthermore, aggregate exposure to Unrated ADIs are limited to 60% of the Group's Tier 1 capital.

Under the CUFSS Industry's liquidity support scheme (of which the Group is a member), at least 3.0% of the total assets must be invested in Cuscal, or other qualifying debt securities issued by ADIs that are repo-eligible with the RBA, to allow the scheme to have adequate resources to meet its obligations if needed.

External Credit Assessment for Institution Investments

Where available, the Group uses the credit grade determination approach as per APRA prudential standard APS112.

The credit exposure values associated with the investment portfolio are as follows:

30 June 2021

Investments with authorised deposit-taking institutions:	**Up to 3 months $'000**	**Over 3 months $'000**	**Total carrying value $'000**	**Past due value $'000**	**Provision $'000**
Grade 1 – rated AA- and above	**-**	**85,256**	**85,256**	**-**	**-**
Grade 2 – rated below AA- to A-	**24,163**	**148,219**	**172,382**	**-**	**-**
Grade 3 – rated below A- to BBB-	**-**	**209,161**	**209,161**	**-**	**-**
Unrated Approved Deposit-taking institutions	**6,001**	**57,561**	**63,562**	**-**	**-**
Total	**30,164**	**500,197**	**530,361**	**-**	**-**

30 June 2020

Investments with authorised deposit-taking institutions:	Up to 3 months $'000	Over 3 months $'000	Total carrying value $'000	Past due value $'000	Provision $'000
Grade 1 – rated AA- and above	7,819	77,828	85,647	-	-
Grade 2 – rated below AA- to A-	6,601	136,449	143,050	-	-
Grade 3 – rated below A- to BBB-	-	141,478	141,478	-	-
Unrated Approved Deposit-taking institutions	2,002	61,828	63,830	-	-
Total	16,422	417,583	434,005	-	-

(iii) CREDIT RISK – GUARANTEES

The Group provides financial guarantees on behalf of members. All guarantees provided are fully secured against either an existing registered mortgage facility already held by the Group, or by funds lodged as a term deposit with the Group. The total value of guarantees and authorities at 30 June 2021 amounted to $1,571k (30 June 2020 $1,564k).

D. OPERATIONAL RISK

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

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

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

(i) Fraud

Fraud can arise from member card PINS and internet passwords being compromised where not adequately protected by the member. It can also arise from other system failures.The Group has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail, a bank fraud is potentially a real cost. There has been an increase in the risk of cybercrime and fraud during COVID-19 due to unprecedented situations and rapid IT and organisational change. The Bank continues to enhance its fraud risk management which includes ongoing education of staff and members on the dangers of cybercrime activities and system-based identification and mitigation measures.

(ii) IT systems

The Group has outsourced IT systems management to TransAction Solutions Pty Limited (TAS) which is owned by a group of mutuals. TAS can address any short-term operational problems and have a contingency plan to manage any power or systems failures. Other suppliers are engaged on behalf of the Group by Cuscal. Cuscal facilitate settlement services with other financial institutions for direct entry, Visa cards, and BPay etc.

The worst case scenario for the IT systems identified would be the failure of the Group's core banking system and the failure of IT suppliers leading to the inability of the Group to meet member obligations and service requirements.

A full disaster recovery plan is in place to cover medium to long-term problems. The plan is reviewed on an annual basis.

E. CAPITAL MANAGEMENT

The minimum capital levels required to be maintained by all Financial Institutions are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components:

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

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

Capital resources

Tier 1 capital

The Tier 1 Capital of the Group comprises:

- Retained profits
- Realised reserves
- Asset revaluation reserve on properties.

Tier 2 capital

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

Tier 2 capital of the Group comprises:

- General reserve for credit losses

	2021	2020
	$'000	$'000
Capital in the Group is made up as follows:		
Tier 1 Common equity capital		
Capital reserve account	**1,454**	1,436
Asset revaluation reserves on property	**9,279**	9,030
General reserves	**14,041**	14,041
Retained earnings	**152,524**	151,583
Total Fundamental Tier 1 capital	**177,298**	176,090
Less prescribed deductions	**(11,041)**	(11,856)
Net Tier 1 capital	**166,257**	164,234
Tier 2 capital		
General reserve for credit losses	**4,187**	3,809
	4,187	3,809
Less prescribed deductions	**-**	-
Net Tier 2 capital	**4,187**	3,809
TOTAL CAPITAL	**170,444**	168,043

The Group is required to maintain a minimum capital level as compared to the risk weighted assets at any given time. The above capital is in excess of the minimum required.

The risk weights attached to each asset are based on the weights prescribed by APRA. The general rules apply the risk weights according to the level of underlying security.

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

2021	2020	2019	2018	2017
20.67%	21.53%	17.36%	16.90%	17.14%

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

To manage the Group's capital the Group reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below 14.5%. Further a 3 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 Capital on operational risk

The Group uses the standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams.

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

- Operational risk capital $82,908,396 (2020: $66,392,804)

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

Internal capital adequacy management

Australian Mutual Bank manages its internal capital levels for both current and future activities through the Internal Capital Adequacy Assessment Process (ICAAP).

The inputs provide for a number of stress tests to be performed across APRA's material risk categories. The outputs are communicated to the Board and APRA, and are used in the capital management and planning processes of the bank.

25 MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the Consolidated Statement of Financial Position.

2021	Book Value $'000	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	Total $'000
FINANCIAL ASSETS								
Cash and cash equivalents	15,928	15,161	-	-	-	-	767	15,928
Due from other financial institutions and investment securities	515,021	58,436	76,934	211,508	149,165	22,827	-	518,870
Receivables	2,931	2,439	112	206	173	1	-	2,931
Loans and advances	1,159,159	23,471	14,130	61,926	300,274	1,095,876	-	1,495,677
Equity investment securities	9,730	-	-	-	-	-	9,730	9,730
Total financial assets	1,702,769	99,507	91,176	273,640	449,612	1,118,704	10,497	2,043,136
FINANCIAL LIABILITIES								
Deposits from members – at call	1,038,205	1,037,993	-	-	-	-	212	1,038,205
Deposits from members – term	449,489	72,029	137,452	223,672	17,134	-	-	450,287
Borrowings	36,451	-	-	-	36,590	-	-	36,590
Creditors	10,913	10,207	250	342	114	-	-	10,913
On statement of financial position	1,535,058	1,120,229	137,702	224,014	53,838	-	212	1,535,995
Undrawn commitments Note 29	-	-	-	-	-	-	182,948	182,948
Total financial liabilities	1,535,058	1,120,229	137,702	224,014	53,838	-	183,160	1,718,943

2020	Book Value $'000	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	No Maturity $'000	Total $'000
FINANCIAL ASSETS								
Cash and cash equivalents	15,812	14,419	-	-	-	-	1,393	15,812
Due from other financial institutions and investment securities	418,502	59,782	67,474	161,359	108,835	25,569	-	423,019
Receivables	3,696	2,583	487	472	153	1	-	3,696
Loans and advances	1,180,571	25,538	14,913	64,818	316,549	1,149,900	-	1,571,718
Equity investment securities	10,651	-	-	-	-	-	10,651	10,651
Total financial assets	1,629,232	102,322	82,874	226,649	425,537	1,175,470	12,044	2,024,896
FINANCIAL LIABILITIES								
Deposits from other ADI's	-	-	-	-	-	-	-	-
Deposits from members – at call	947,135	946,905	-	-	-	-	230	947,135
Deposits from members – term	511,103	92,505	188,572	217,201	15,047	-	-	513,325
Creditors	8,730	6,977	822	782	149	-	-	8,730
On statement of financial position	1,466,968	1,046,387	189,394	217,983	15,196	-	230	1,469,190
Undrawn Credit Commitments Note 29	-	-	-	-	-	-	178,230	178,230
Total financial liabilities	1,466,968	1,046,387	189,394	217,983	15,196	-	178,460	1,647,420

26 CURRENT AND NON CURRENT PROFILE

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

	2021			2020		
	Within 12 months $'000	**After 12 months $'000**	**Total $'000**	Within 12 months $'000	After 12 months $'000	Total $'000
FINANCIAL ASSETS						
Cash and cash equivalents	**15,928**	**-**	**15,928**	15,812	-	15,812
Due from other financial institutions and investment securities	**346,377**	**168,644**	**515,021**	287,444	131,058	418,502
Receivables	**2,757**	**174**	**2,931**	3,542	154	3,696
Loans and advances	**66,667**	**1,092,492**	**1,159,159**	67,517	1,113,054	1,180,571
Equity investment securities	**-**	**9,730**	**9,730**	-	10,651	10,651
Total financial assets	**431,729**	**1,271,040**	**1,702,769**	374,315	1,254,917	1,629,232
FINANCIAL LIABILITIES						
Borrowings	**-**	**36,451**	**36,451**	-	-	-
Deposit from members - at call	**1,037,993**	**212**	**1,038,205**	946,905	230	947,135
Deposit from members - term	**432,510**	**16,979**	**449,489**	496,410	14,693	511,103
Creditors	**10,799**	**114**	**10,913**	8,581	149	8,730
Total financial liabilities	**1,481,302**	**53,756**	**1,535,058**	1,451,896	15,072	1,466,968

27 INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2021	**Within 1 month**	**1-3 months**	**3-12 months**	**1-7 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS						
Cash and cash equivalents	**15,161**	**-**	**-**	**-**	**767**	**15,928**
Due from other financial institutions and investment securities	**146,923**	**190,295**	**177,803**	**-**	**-**	**515,021**
Receivables	**304**	**208**	**169**	**-**	**2,250**	**2,931**
Loans to members – mortgage*	**660,135**	**15,089**	**66,120**	**354,416**	**-**	**1,095,760**
Loans to members – personal*	**44,984**	**-**	**23**	**366**	**-**	**45,373**
SocietyOne loans*	**230**	**46**	**387**	**1,448**	**-**	**2,111**
LeasePlus leases*	**41**	**60**	**805**	**2,440**	**-**	**3,346**
Loans to members – business*	**12,251**	**-**	**-**	**318**	**-**	**12,569**
Equity investment securities	**-**	**-**	**-**	**-**	**9,730**	**9,730**
Total financial assets	**880,029**	**205,698**	**245,307**	**358,988**	**12,747**	**1,702,769**

*These balances do not include the impact of provisions for credit losses.

2021	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL LIABILITIES						
Deposits from members	**1,110,005**	**137,354**	**223,144**	**16,979**	**212**	**1,487,694**
Borrowings	**-**	**-**	**-**	**36,451**	**-**	**36,451**
Creditors	**208**	**250**	**342**	**114**	**9,999**	**10,913**
On statement of financial position	**1,110,213**	**137,604**	**223,486**	**53,544**	**10,211**	**1,535,058**
Undrawn loan commitments Note 29	**-**	**-**	**-**	**-**	**182,948**	**182,948**
Total financial liabilities	**1,110,213**	**137,604**	**223,486**	**53,544**	**193,159**	**1,718,006**

2020	Within 1 month	1-3 months	3-12 months	1-7 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	14,419	-	-	-	1,393	15,812
Due from other financial institutions and investment securities	136,777	146,980	134,745	-	-	418,502
Receivables	597	559	429	-	2,111	3,696
Loans to members – mortgage *	756,134	21,615	126,179	201,083	-	1,105,011
Loans to members - personal*	52,929	-	-	984	-	53,913
SocietyOne loans*	367	22	413	4,304	-	5,106
LeasePlus leases*	26	130	675	2,413	-	3,244
Loans to members – business*	12,814	-	457	26	-	13,297
Equity investment securities	-	-	-	-	10,651	10,651
Total financial assets	974,063	169,306	262,898	208,810	14,155	1,629,232

*These balances do not include the impact of provisions for credit losses.

2020	Within 1 month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL LIABILITIES						
Deposits from other ADI's	-	-	-	-	-	-
Deposits from members	1,039,355	188,139	215,821	14,693	230	1,458,238
Creditors	630	822	782	149	6,347	8,730
On statement of financial position	1,039,985	188,961	216,603	14,842	6,577	1,466,968
Undrawn loan commitments Note 29	-	-	-	-	178,230	178,230
Total financial liabilities	1,039,985	188,961	216,603	14,842	184,807	1,645,198

28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the Consolidated Statement of Financial Position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Fair Value Hierarchy

Assets measured at fair value have been classified according to the following hierarchy:

- Level 1: inputs are quoted prices 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 market 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 measures its equity investments, investment property and land and buildings as held within property, plant and equipment at fair value. Equity investments are valued based on the net tangible asset value per share and the fair value of investment property and land and buildings is based on the specific characteristics of the property combined with market information based on external valuations. Consequently both assets are considered level 3 in terms of fair value hierarchy.

	2021	2020
29 FINANCIAL COMMITMENTS	**$'000**	$'000
a. Outstanding loan commitments		
The loans approved but not funded	**19,654**	10,121
b. Loan redraw facilities		
The loan redraw facilities available	**107,155**	109,098
c. Undrawn loan facilities		
Loan facilities available to members and non-members (via LeasePlus) for overdrafts, credit cards and line of credit loans are as follows:		
Total value of facilities approved	**78,273**	84,491
Less: amount advanced	**(22,134)**	(25,480)
Net undrawn value	**56,139**	59,011
Total financial commitments	**182,948**	178,230

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

		2021	2020
d.	**Computer Bureau Expense Commitments**	**$'000**	$'000

As referred to in Note 33, the Group has a management contract with TransAction Solutions Pty Limited (TAS) to supply computer support staff and services to meet the day to day needs of the Group and compliance with the relevant Prudential Standards.

The costs committed under contracts with TAS are as follows:

	2021	2020
Not later than one year	**1,748**	1,534
Later than 1 year but not 2 years	**1,748**	1,534
Later than 2 years but not 5 years	**-**	1,534
Later than 5 years	**-**	-
	3,496	4,602

e. Computer commitments

The costs committed under contracts with Ultradata (UDA) are as follows:

	2021	2020
Not later than one year	**1,206**	1,094
Later than 1 year but not 2 years	**1,206**	1,094
Later than 2 years but not 5 years	**3,617**	3,281
Later than 5 years	**553**	1,595
	6,582	7,064

f. Computer Capital commitments

	2021	2020
Not later than one year	**541**	240

30 STANDBY BORROWING FACILITIES

The Group has borrowing facilities as follows:

2021	**Gross**	**Current Borrowing**	**Net Available**
	$'000	**$'000**	**$'000**
Overdraft Facility	**4,000**	**-**	**4,000**
RBA Term Funding Facility	**36,451**	**(36,451)**	**-**
TOTAL STANDBY BORROWING FACILITIES	**40,451**	**(36,451)**	**4,000**

2020	Gross	Current Borrowing	Net Available
	$'000	$'000	$'000
Overdraft Facility	4,000	-	4,000
TOTAL STANDBY BORROWING FACILITIES	4,000	-	4,000

The Cuscal overdraft facility is in place to primarily accommodate for any unexpected members' outbound funds transfer requests processed during late-afternoon on any given business day, of which this may result in the Group overdrawing its main bank account held at Cuscal. The overdraft facility is secured by an overdraft security deposit of $4m that the Group had placed with Cuscal. There is also a security deposit of $16.8m for settlement services with CUSCAL.

The Reserve Bank of Australia established the Term Funding Facility (TFF) to authorised deposit-taking institutions (ADIs) as part of the policy response during the COVID-19 pandemic. The facility is closed to new drawdown from close of business on 30 June 2021.

31 CONTINGENT LIABILITIES

Liquidity Support Scheme

The Group is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Australian mutual ADIs in the event of a liquidity or capital problem. As a member, the Group is committed to maintaining a balance of deposits in an approved form, as determined below.

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

Guarantees

The Group provides financial guarantees on behalf of members. All guarantees provided are fully secured against either an existing registered mortgage facility already held by the Group, or by funds lodged as a term deposit with the Group. The total value of guarantees and authorities at 30 June 2021 amounted to $1,571k (30 June 2020 $1,564k).

32 DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL

a. Remuneration of Key Management Personnel (KMP)

KMP are those Directors and employees having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP have been taken to comprise the 8 Directors (2021: 8) and 6 (2020: 6) members of executive management responsible for the day to day financial and operational management of the Group and the Internal Audit Manager until his resignation on 21 May 2021. Remuneration during 2020 included 5 additional Executive Managers following the merger with Endeavour Mutual Bank. During 2020, 5 Executive Managers took a redundancy. Remuneration during 2020 also included 4 of the 8 ex SCU Directors that took a redundancy prior to the merger on 1 October 2019.

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

	2021	2020
	Directors & Other KMP	Directors & Other KMP
	$	$
i) short employee benefits	**1,963,763**	1,934,239
ii) post-employment benefits - superannuation contributions	**220,580**	274,827
iii) other long-term benefits – net increases in long service leave and annual leave and personal leave provision	**188,785**	232,225
iv) termination benefits	**-**	3,409,338
Total	**2,373,128**	5,850,629

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, value of fringe benefits received, but excludes out of pocket expense reimbursements. All remuneration to Directors was approved by the members at the previous annual general meeting of the Group.

	2021	2020
	$'000	$'000
b. Loans to Directors and other KMP		
(i) The aggregate value of loans and revolving credit facilities to KMP	**1,511**	1,014
(ii) The total value of revolving credit facilities to KMP	**220**	243
Less amounts drawn down and included in (i)	**(3)**	(4)
Net balance available	**217**	239
(iii) During the year the aggregate value of loans disbursed to Directors and other KMP amounted to:		
Revolving credit facilities	**116**	102
Term loans	**561**	81
	677	183
(iv) During the year the aggregate value of revolving credit facility limits granted or increased to Directors and other KMP amounted to:	**-**	-
(v) Interest and other income earned on loans and revolving credit facilities to KMP	**27**	54

The Group's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of loans to KMPs who are not Directors. There are no loans which are impaired in relation to the loan balances with Directors or other KMPs.

KMPs who are not Directors may receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits tax, are included in the remuneration in Note 32(a) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMPs. There are no loans which are impaired in relation to the loan balances with close family relatives of Directors and KMPs.

c. **Transactions with Other Related Parties**

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

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

There are no benefits paid or payable to the close family members of the KMPs.

There are no service contracts to which key management persons, or their close family members, are an interested party.

	2021 $'000	2020 $'000
Total value term and savings deposits from KMP	**1,373**	1,075
Total interest paid on deposits to KMP	**5**	12

The KMP note also includes individuals who had a BEARS accountability statement lodged with APRA.

33 OUTSOURCING ARRANGEMENTS

The Group has outsourcing arrangements with the following suppliers of services:

a. **Cuscal**

Cuscal is an approved authorised deposit-taking institution registered under the Corporations Act 2001 and the Banking Act. This entity provides the license rights to Visa Card in Australia and supplies settlement, transaction processing, interchange, card and other services to other organisations. In relation to the Group this entity provides transactional switching and settlement services for member cheques, electronic funds transfer (EFT), EFTPOS, direct entry, BPAY, NPP, mobile banking and visa and debit card transactions and real-time gross settlement system (RTGS) payments.

The Group holds shares in Cuscal to enable the Group to receive essential banking services – refer also to Note 9. The shares are able to be traded within a market limited to other Cuscal eligible shareholders.

b. **Ultradata Australia Pty Limited (UDA)**

Provides and maintains the core banking system application software utilised by the Group.

c. **TransAction Solutions Pty Limited (TAS)**

The Group has outsourced IT systems management to TAS which is owned by a group of mutuals. The Group has a management contract with the company to supply services to meet the day to day needs of the Group and provide monitoring, reporting and advisory services in respect of Information Security and compliance with the relevant Prudential Standards.

The Group holds equity in TAS. This company primarily operates to service mutual banks, credit unions, and non-mutual customers. The shares are not readily traded except within the ADI membership of the company. Refer Note 9.

34 SUPERANNUATION LIABILITIES

The Group contributes to various employee selected superannuation funds for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The funds are administered independently.

The Group has no interest in the various superannuation funds other than as a contributor.

The Group contributes to the State Authorities Superannuation Scheme (SASS) and to the State Authorities Non-Contributory Superannuation Scheme (SANCS) for the purpose of defined benefits superannuation schemes for 1 employee (1 employee took a redundancy during 2020) and no new employees are eligible to join these schemes. The Plan is administered by an independent corporate trustee.

The Group has no interest in the superannuation plan (other than as a contributor) and is liable for any shortfall in reserves to meet the employees' entitlements. Currently the Plan is in surplus and it is anticipated the Group is unlikely to be required to have any further liability to these funds.

35 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2021 the parent entity of the Group was Australian Mutual Bank Ltd. The below table sets out the results and financial position of the parent entity for the year ended, and as at 30 June 2021.

	2021 $'000	2020 $'000
Result of parent entity		
Profit after income tax	**955**	156
Other comprehensive income, net of income tax	**249**	1,054
Total comprehensive income for the period	**1,204**	1,210
Financial position of parent entity at year end		
Total assets	**1,726,141**	1,658,624
Total liabilities	**1,549,016**	1,482,703
Total equity of the parent entity comprising of:		
Share reserve account	**1,454**	1,436
Asset revaluation reserve	**9,279**	9,030
General reserve	**14,041**	14,041
Transfer of business reserve	**86,648**	86,648
Retained earnings	**65,703**	64,766
Total equity	**177,125**	175,921

36 TRANSFERS OF FINANCIAL ASSETS

The Group has in place a self-securitisation arrangement where the Group can sell qualifying mortgage loans into SCU Trust No. 1 (the Trust), a Special Purpose Vehicle (SPV) established in August 2017, which in turn issues Class A and Class B Residential Mortgage Backed Securities (RMBS) purchased entirely by the Group. The Class A RMBS notes held by the Group are repo-eligible with the Reserve Bank of Australia and therefore can be utilised as a contingent source of funding (or obtain funding from the RBA Term Funding Facility) from the Central Bank should the need arise.

The Trust is consolidated with the Group for financial reporting purposes and that the securitised loans in SCU Trust No.1 are not exempted for capital adequacy purpose as the Group retains the economic benefits and risks associated with the underlying loans.

Self-securitised loans retained on the balance sheet

The value of self-securitised loans does not qualify for de-recognition, given that (a) the Group is the sole purchaser of all the RMBS notes issued from SCU Trust No.1 and therefore the Group retains all the economic benefits and risk associated with the Trust and the underlying mortgage loans assets, and (b) the conditions do not meet the criteria in the accounting standards, are outlined below. These securitised loans are made up of both variable interest rate and fixed interest rate mortgage loans, and that the book value of these loans are used for this reporting purpose.

	2021 $'000	2020 $'000
Balance sheet values - loans and receivables		
SCU Trust No. 1 - Series 1	**368,766**	483,135
Off balance sheet commitments (redraws)		
Financial commitments (net)		
SCU Trust No. 1 - Series 1	**48,848**	50,742

	2021 $'000	2020 $'000

37 NOTES TO STATEMENT OF CASH FLOWS

a. Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises:

	2021 $'000	2020 $'000
Cash on hand	**8,928**	8,212
Deposits at call	**7,000**	7,600
Total Cash	**15,928**	15,812

b. Reconciliation of cash from operations to accounting profit

The net cash increase from operating activities is reconciled to the operating profit after tax:

	2021 $'000	2020 $'000
Profit after income tax	**955**	156
Add(Deduct) :		
Bad Debts written off expenses and decrease in provision for impairment	**745**	665
Unearned income	**5**	(105)
Amortised fees	**4**	168
Depreciation expense & amortisation	**5,207**	4,137
Adjustment for lease outgoings	**(248)**	-
Profit on sale of assets	**-**	(23)
Loss on sale of assets	**119**	166
Provision for employee leave	**1,014**	(1,147)
Provision - other	**948**	23
Accrued expenses	**3,497**	(1,598)
Interest payable	**(1,332)**	(1,452)
Prepayments	**(66)**	355
GST recoverable	**(79)**	62
Interest receivable	**904**	89
Sundry debtor and other receivables	**(139)**	48
GST payable	**15**	(44)
Taxation assets & liabilities	**1,360**	(1,161)
Movement in loans balances	**18,092**	31,177
Movement in other loans	**2,893**	4,717
Movement in deposit balances	**29,456**	67,114
Movement in liquid investment balances	**13,656**	(67,407)
Net cash from operating activities	**77,006**	35,940

38 CORPORATE INFORMATION

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

The address of the registered office and principal place of business is 59 Buckingham Street, Surry Hills, NSW 2010.

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

ABN: 93 087 650 726

AFSL & ACL: 236476

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Group in subsequent financial years.