2020 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

2020 Annual Financial Report and Sustainability Report.

AUSTRALIAN MUTUAL BANK | SYDNEY MUTUAL BANK | Endeavour Mutualbank

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MEMBE

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Sustainability & Australian Mutual Bank

Introduction

Australian Mutual Bank Ltd (AMBL) was created on 1 October 2019 by the merger of Sydney Credit Union Ltd and Endeavour Mutual Bank Ltd. As part of the merger, and in order to maintain member loyalty and identity, it was determined that Australian Mutual Bank Ltd operate under two trading names Endeavour Mutual Bank and Sydney Mutual Bank.

Australian Mutual Bank Ltd is an Approved Deposit-taking Institution that is regulated by the Australian Prudential Regulatory Authority (APRA) under the Banking Act. Australian Mutual Bank is also a mutual, that is, an autonomous association of persons united voluntarily to meet their common economic needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Australian Mutual Bank aims to be its members' first choice for the provision of financial services. All of Australian Mutual Bank's activities are designed to enhance the financial well-being of members. Australian Mutual Bank provides members with a secure place to save and a source of reasonably priced credit. Australian Mutual Bank also has a social mission to teach members about the value of regular savings and the wise use of credit.

By pooling resources members help themselves and each other to achieve economic and social advancement. Whereas the recent financial fad known as P2P (peer to peer lending) depends on institutional investors, mutual banks can be considered as the original peer to peer lenders, with Australian Mutual Bank aggregating member to member lending since 1953.

More generally, Australian Mutual Bank remains highly regulated within a sound Australian banking system. The prudential regulator APRA ensures that regulated institutions are safe and sound so that like all banks, Australian Mutual Bank provides deposit accounts that are government guaranteed up to $250,000.

It is the view of the Board and management that Australian Mutual Bank operates and acts in a responsible and ethical way. This claim may be justified since:

- Members are customers and equal owners of Australian Mutual Bank;
- Australian Mutual Bank provides banking services for human and social needs, as opposed to corporate speculative gain;
- Australian Mutual Bank is Australian owned and operated;
- Australian Mutual Bank does not offshore employees;
- Australian Mutual Bank does not invest in fossil fuels, gambling, armaments, persistent chemicals, animal testing;
- Australian Mutual Bank supports socially responsible activities (both domestically and internationally).

This is our third sustainability report and it shows that Australian Mutual Bank's business approach and operations align products and services with stakeholder expectations to add economic, environmental and social value.

Australian Mutual Bank is not seeking to be a leader in sustainable business practices nor does Australian Mutual Bank seek to be compared to other businesses. We simply want to show that Australian Mutual Bank is an organisation with methods of operation and employment practices that are effected responsibly.

At this time, Australian Mutual Bank has chosen not to strictly align with the Global Reporting Initiative (GRI) reporting framework, but has looked to align with many of its disclosure requirements, so as to capture and communicate important information to our stakeholders.

We hope that by explaining Australian Mutual Bank's sustainable business practices we inform members as to how we conduct our operations and deliver our services, and also look to attract potential members whose values and interests align with our own. We are proud of the fact that we always strive to do the right thing, by complying with laws and acting honestly and openly in all that we do.

Hans Kludass
Chair of the Board

Mark Worthington
Chief Executive Officer

About Australian Mutual Bank

Australian Mutual Bank is a community-based banking organisation that values its members and puts their interests first. Australian Mutual Bank has been providing quality banking, loan and investment services to the community since 1953. Australian Mutual Bank offers all the traditional banking products and services that members have come to expect, whilst keeping up to date with the latest payments advances. These principles have ensured that members continue to benefit from an ever changing banking environment whilst being offered the best possible service.

Australian Mutual Bank is 100% Australian owned & operated, it invests ethically, co-operates with other co-operatives, and acts socially responsibly. The word 'Mutual' reinforces that members are customers and equal owners. In terms of our credit union origins, we chose the word 'Bank' as it promotes strength and soundness to existing and future members. Whereas the expression 'safe as a bank' still resonates with consumers, market research continues to reveal significant consumer misunderstanding of the term 'credit union'.

The benefit derived from belonging to a mutual bank is in equally sharing in the success of the organisation through competitive rates and fees and exceptional customer service. Unlike a major bank, Australian Mutual Bank is not a publicly listed company and as such does not have a primary financial aim of providing dividends to shareholders. This differentiating factor is another benefit of belonging to a mutual and clearly highlights the objective of increasing the value offered to members and their local communities. From a governance perspective once you're a member you are entitled to an equal say in the running of Australian Mutual Bank. Members have a right to vote at the Annual General Meeting and to elect the Board of Directors - subject to fitness and propriety qualifications, any member can be a director.

At Australian Mutual Bank, we take our corporate social responsibilities seriously, and it is something we are proud of. This includes tailoring products and services to assist in the financial education and growth of the youth and young adult sector, donating to Barnardos to look after disadvantaged or neglected children, as well as upholding our international social responsibility with the direct support of credit union development projects through the Asian Confederation of Credit Unions.

Australian Mutual Bank understands that we all play a part in preserving our environment and we look forward to continually improving our environmental efforts whilst maintaining our position as our members' preferred banking institution.

Australian Mutual Bank was formed as a result of a 2019 merger between Sydney Credit Union and Endeavour Mutual Bank. Endeavour Mutual Bank can trace its origins back to 1953 with the formation of the Motor Transport Employees Savings & Loans Co-op. Sydney Credit Union was formed in 1963 to provide employees of the City of Sydney Council with an alternative to banks and pay day lenders.

As at June 2020 Australian Mutual Bank has 73,749 members and $1.659 billion in assets. Australian Mutual Bank employs 180 people, 20 of whom work permanent part-time, and the full-time equivalent number of employees is 160.

Australian Mutual Bank has its registered office in Surry Hills, an administration office at Blacktown, and branches throughout Sydney, as well as Gosford, Hamilton and Parkes.

Today, Australian Mutual Bank is a result of joint ventures in seventy-four credit unions coming together over the past 67 years.

A.A.E.S.D.A. (N.S.W.) CU
Access NSW Employees CU
Ainsworth Employees CU
Allied Members CU
Auburn Municipal Council Employees CU
Audit Officers CU
Austral Bronze Crane Copper Employees CU
Berala CU
Blacktown City Council Employees CU
Blaxland CU
Blue Mountains & Riverlands CU
Boral Employees CU
Botany Council Employees CU
Brisbane Waters County Council Employees CU
Campbelltown City Council Employees CU
Central Blue Mountains CU
Chullora Omnibus Employees CU
Combined Industry Groups Mutual CU
Comtax CU
Concord Ukrainian CU
Coopers CU
CPH Employees CU
CSR & Rinker Employees CU
Dairy Farmers CU
Dnipro CU
Encompass CU
Endeavour Mutual Bank
Fairfield City Council Employees CU
Government Printing Office Employees CU
Government Transport CU
Holroyd CU
Holroyd Municipal Council Employees CU
Hunter Valley County Council Employees CU
Independent CU
Karpaty Ukrainian CU
Kingsgrove Bus Depot Employees CU
Leichhardt Council Employees CU
Lidcombe CU
Marrickville Council Employees CU
Media & Publishing CU
Memberfirst CU
Merck Sharp & Dohme Staff CU
Merriville CU
Minnondi CU
Motor Transport Employees CU
Nepean District Staff CU
News Group Employees CU
North Rocks Industrial CU
North Sydney Council Employees CU
Orion CU
Padstow CU
Parkes District CU
Pinnacle CU
Prospect CU
Punchbowl CU
Railways Staff CU
Raleigh Park Employees CU
Revesby CU
Rockdale Mutual CU
Ryde Council Employees CU
Ryde Omnibus Employees CU
Security CU
Select CU
Smithfield CU
St George County Council Employees CU
Stevco CU
Sunlight Employees CU
Sutherland Council Employees CU
Sydney CU
T.R.W. Employees CU
Tartan CU
Waverley Bus Depot Employees CU
Waverley Council Employees CU
Willoughby Omnibus Employees CU

Recent Highlights

Australian Mutual Bank was formed as the result of the merger of Sydney Credit Union and Endeavour Mutual Bank on 1 October 2019. During the financial year merger related expenses of $3.287 million were incurred. After providing for tax, net profit was $156,074. Total assets at the end of the financial year reached $1.659 billion. Total equity of $175.9 million translates to a capital adequacy ratio of 21.53%.

In order to provide better online protection for members, both Endeavour Mutual Bank and Sydney Mutual Bank moved websites to a dot bank domain, with Endeavour being Australia's first such web address. The new www.australianmutual.bank address provides robust security and meets strict verification requirements that will reduce the risk of cyber threats and enable a more secure environment for members to easily identify. Since the dot bank environment is exclusive to the banking industry, it provides a level of security unmatched in traditional internet environments. The strict controls in place mitigate cyber security risk and allow Australian Mutual Bank to better protect its members. The new dot bank domain is an online stamp of trust. It is a simpler, quicker, more thorough way to inform members and protect them against cyber-attacks.

Australian Mutual Bank was also a day one participant in the New Payments Platform (NPP). The NPP allows for real-time 24/7 payments, with simpler payment addressing (such as a mobile phone number).

Australian Mutual Bank has previously recognised that a long term risk is the age profile of its members. In order to attract new and younger members Australian Mutual Bank launched a childrens 'Kickstart' account with a high interest rate for deposits up to $5,000. The account was successful in gaining new members, particularly the children and grandchildren of existing members.

Industry Awards

CANSTAR 5 STAR OUTSTANDING VALUE AWARDS FOR:

Outstanding Value in the Variable Home Lender category

Outstanding Value Savings Account and Transaction Account

Outstanding Value Visa Credit Card

Outstanding Value Personal Loan Unsecured and Term Deposit Secured Loan

FINDER AWARD FOR:

The Best Personal Loan

MOZO EXPERTS CHOICE AWARD WINNER IN THE:

Personal Loans category

RATECITY GOLD AWARD FOR BEST KIDS SAVINGS ACCOUNT CATEGORY:

Young Saver Account product

Current Challenges

The Covid-19 pandemic has caused significant changes in the state of affairs of Australian businesses. During the financial year the pandemic caused the Reserve Bank to set the target cash rate at its lowest ever level. The economic effect of greatly decreased activity brought Australia's thirty years of economic growth to an end. The low interest rate environment caused by the Covid-19 pandemic will in the short term affect the Bank's future profitability.

As at 30 June 2020 APRA reported that temporary housing loan repayment deferrals due to Covid-19 reached 9% of total housing loans outstanding. Australian Mutual Bank has performed markedly better than the average of all banks with 3% of total housing loans affected. It is considered that this improved performance is related to a significant proportion of members being drawn from the bank's core industry groups (transport, energy, local government), the consistent application of responsible assessment criteria, and not using mortgage brokers.

The pandemic has also accelerated the move to digital payments and transacting. In response, Australian Mutual Bank will implement some restructuring arrangements over the 2020/21 and 2021/22 financial years. The planned changes, in reducing branch numbers and offering voluntary redundancies, are designed to return Australian Mutual Bank's profitability back to long term average levels.

The move away from cash and to digital payments has realised far fewer members using branches. Rather than continue to pay significant amounts to branch landlords it is considered that these funds will be more equitably and optimally used in sharper pricing and in digital payment development.

Australian Mutual Bank's smaller asset size means that fixed costs (in information technology and transaction access, employees, and regulatory responses, for example), can form a greater proportion of overall operating costs when compared to larger organisations. Australian Mutual Bank will pursue economies of scale, including through mergers, in order to defray increasing fixed costs.

Open Banking and Comprehensive Credit Reporting (CCR) are welcome changes that will improve consumer choices as well as technology innovation. Open banking will mean a change from a closed model where banks retain and control information, to an open model with the potential to change competition and see the creation of new products and services. Comprehensive Credit Reporting (CCR) is aimed at making it easier for lenders to form comprehensive and balanced assessments of applicants' credit histories.

Australian Mutual Bank has a vibrant and interactive membership of 73,749. However the average age of members remains over 50 years. Australian Mutual Bank is determined to maintain existing members and be more attractive to younger members by acting socially responsibly, and providing age-relevant products and services.

Mutual banking organisations have consistently shown superior performance in trust and customer satisfaction ratings, and the ownership and remuneration structures are rarely in conflict with the service oriented purpose of mutuals. Mutuals therefore want regulators to apply proportionate regulation rather than one-size-fits-all regulation. Proportionate regulation will ensure that smaller mutual banking institutions are not unduly burdened, especially as they appeared not to have been involved in the banking misconduct that was revealed by the Banking Royal Commission.

2020/21 Goals

In the second financial year after the merger Australian Mutual Bank will continue to return the benefits of the incremental scale economies to members via price competitive products and by returning to long term average profitability.

Australian Mutual Bank will begin a two year program of voluntary redundancies and branch closures. It is anticipated that up to thirty employees will seek to voluntarily depart and that up to sixteen of the current twenty-two branch network will be closed by 30 June 2022.

Australian Mutual Bank's dual Endeavour Mutual Bank and Sydney Mutual Bank branding is also expected to cease. Whereas dual branding was determined in order to maintain member identity and loyalty, the expense of maintaining two distinct brands can no longer be justified. Use of the Australian Mutual Bank name and brand will remove the duplicated dual branding costs.

Covid-19 has also changed administrative employee working arrangements to working from home. The transition was implemented successfully with a minimal impact on operations. Australian Mutual Bank is now looking at longer term working arrangements where a combination of office and home work is available to employees.

The Capital Adequacy Ratio is considered to be the most important strength/soundness measure for any banking institution. With a capital ratio in excess of 21%, Australian Mutual Bank is one of the most well capitalised banking institutions in Australia. A cautious and measured approach to business growth will ensure that this ratio remains unquestionably strong.

Australian Mutual Bank will continue to support its Australian Mutuals Foundation (AMF). The AMF is a registered charity with three objectives:

- To support Australian children and youth who are at risk of abuse or neglect, or who are disadvantaged in terms of housing, medical care or education (these activities are conducted through a partnership with Barnardos)
- To assist remote and disadvantaged communities in impoverished South East Asian and South Pacific countries to alleviate poverty through the creation of sustainable financial cooperatives (these activities are conducted through a partnership with the Asian Confederation of Credit Unions)
- To provide a mechanism for members of cooperatives and mutuals, and the general public, to make donations to those affected by natural disasters.

An ongoing strategic goal is to be our members' first choice for the provision of financial services. The culture of 'People Helping People', profits remaining with the members, community participation, corporate social responsibility, and support of core industry groups have been and will continue to be strategic goals for Australian Mutual Bank.

Stakeholders

Australian Mutual Bank stakeholders

Engaging the stakeholders

The majority of Australian Mutual Bank's interactions with its stakeholders occur on a daily basis through relationships between members and Australian Mutual Bank employees and managers, and business service providers. The service providers include the former Credit Union Services Corporation (Australia) Ltd (Cuscal), the Customer Owned Banking Association, the Business Council of Cooperatives and Mutuals, Ultradata, and Transaction Solutions (TAS).

Focusing the report content

Identifying the aspects of operations that are most important to Australian Mutual Bank and its stakeholders has enabled us to focus the content of this report. The materiality approach was based on AccountAbility's AA1000 principles and informed by its 5-part materiality test as well as the GRI's Reporting Principles for Defining Report Content.

To identify the material aspects, we collected and reviewed a range of internal and external information across a range of sources (internal documents, media, peer reports, and recent stakeholder engagement) to identify aspects of relevance to Australian Mutual Bank over the past few years. An internal workshop was originally conducted with key personnel to review these aspects, identify additional aspects of interest and finally prioritise these aspects in terms of their interest to stakeholders and their importance to the business. On this basis a concise and focused list of material aspects was developed to respond to in this report.

Report section	Material aspect
Members	Member satisfaction Attracting a younger member base Retaining existing members Improved product transparency
Governance	Governance and risk framework Responsible lending Compliance and breaches Managing the risk of fraud Remuneration policies Corporate taxation Modern Slavery Act
People	Employee training Flexible working arrangements Employee satisfaction Employee remuneration Gender pay gap Risk culture Gender equality Women in mutuals Wellbeing of employees Cultural diversity
Community	Community investment Australian Mutuals Foundation Ltd Employee volunteering
Environment	Electronic service delivery Climate risk
Suppliers	Major suppliers co-operatively owned Australian sourcing

Members

Member satisfaction

Mutually-owned organisations such as Australian Mutual Bank are based on their membership, and without satisfied and well-served members we wouldn't exist. Maintaining member satisfaction is of the highest importance.

Every two years Australian Mutual Bank engages Derham Marketing Research, an independent customer research company to survey members. By analysing the results Australian Mutual Bank is able to understand what we do well and what we can improve upon.

EMB had conducted its biennial previous member survey in May 2019 and net satisfaction was measured at 92%. SCU's previous survey was conducted in Feb 2016 and net satisfaction was measured at 91%. The next Australian Mutual Bank member satisfaction survey will be conducted during Feb/Mar 2021.

Net Promoter Score

The Net Promoter Score (NPS) is a proven, powerful metric used globally to measure customer engagement and advocacy levels which helps us collect insightful feedback in real time from members on what needs to be improved to better their experience with our brand. Net Promoter Score and NPS® are registered trademarks of Bain & Company, Inc., Mr Frederick Reichheld and Satmetrix Systems, Inc. and establishes the likelihood of a customer to recommend products or services. SCU launched the automated survey in April 2019 for members who have had an interaction with the brand and after the merger extended the survey to include the entire Australian Mutual Bank membership.

The NPS survey initiative is part of the bigger strategic project of Member Journey Mapping, with the purpose of providing a clear view of the member experience through key interactions that the member has with Australian Mutual Bank from initial contact through to engagement/long term relationship.

With a majority of surveyed Australian Mutual Bank members qualifying as Brand Promoters and a Net Promoter Score (NPS) of 68.1, Australian Mutual Bank customer satisfaction levels are top of the market for a financial services organisation, and well ahead of the Big Four banks' average of 2.8.

Attracting a younger member base

As Australian Mutual Bank's membership ages (the average age is currently over 50) it is important to attract younger members in order to maintain long-term business sustainability and growth.

Australian Mutual Bank has launched several new products that align with the needs of younger members:

- Young Saver Account (offering high interest on up to $5,000 savings for under 18s);
- Lifestyle Account for 18 - 35 year olds designed to create the perfect mix of a disciplined savings plan with a high-interest rate to help young members achieve their savings goals sooner. Depositing a minimum of $400 a month with no withdrawals earns bonus interest;
- Family Support Option for Home Loans – parents can use the equity in their home to assist their children purchase a house;
- First Home Buyer's Loan – the Valuation and Mortgage establishment fees are waived for all fixed and variable home loan products for first home buyers and we also offer assistance with applying for the First Home Owner Grant;
- Mobile contactless payments apps Google Pay, Apple Pay, and Samsung Pay;
- Access to the New Payments Platform for real time funds transfers; and
- A smartphone app that includes balance and transaction information, BPAY and third party transfers.

Retaining existing members

Australian Mutual Bank has a focus on keeping up with new technology and attracting a younger member base, however properly servicing and maintaining existing members is a higher priority, as it is the existing members who continue to contribute to the strength of the organisation.

The following products and partnerships specifically cater for the financial needs of older members.

- Retirement Savings Account with a competitive interest rate, dedicated to members aged 60 and over
- Pensioner Aware Accounts, a daily transaction account which earns higher interest for retirees and aged pensioners
- Retirement planning – the referral arrangement with Bridges enables the provision of financial advice for members approaching retirement; members receive automated emails prompting them to consider their retirement based on their respective age group interest and opportunities ('Get your retirement on track' for 50 year olds, 'Are you financially ready for retirement' for 60 year olds and 'Last chance to boost your super savings' before turning 65).

The call centre is the main resource so that existing members can best take advantage of our online presence. Whilst we hope to empower existing members to feel confident using online services there is a branch network and call centre for those who prefer to interact with customer service representatives one on one.

Improved product transparency

Product transparency enables members and potential members to fully understand the benefits and any limitations of the financial products and services offered.

To improve product transparency, Australian Mutual Bank applies prudential legislation and obligations relevant to each product or service, and describes its products in concise, simple to understand language. Australian Mutual Bank also compares its transparency to similar products available in the market. Employees are trained in all products and services and are made aware of any relevant changes as products evolve or are added, ensuring that members are always properly informed.

Over the past twelve months Australian Mutual Bank has been able to enhance its communication with members via email and printed newsletters. We look at ways to better implement e-communication with members, and try to ensure that members are receiving the information that is of interest to them. All marketing material is reviewed and approved before publication so as to comply with relevant legal and product disclosure requirements.

Governance

Australian Mutual Bank Ltd is an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) under the Banking Act, and regulated by the Australian Securities and Investments Commission (ASIC) under the Corporations Act.

Operating principles

Australian Mutual Bank abides by the World Council of Mutual Banks International Operating Principles:

Cooperative Structure

– Member Owned

– Member Controlled

– Democratic Control

Service to Members

– Financial Inclusion

– Financial Sustainability

– Maximizing Member Economic Benefit

Social Responsibility

– Financial Literacy

– Network Cooperation

– Community Responsibility

– Global Vision

Australian Mutual Bank's governance and risk framework

Australian Mutual Bank's governance and risk framework ensures that Australian Mutual Bank is controlled and managed in a sound and responsible manner by a competent board of directors. The directors are elected by the membership at the Annual General Meeting and directors are only eligible for election if they are deemed Fit & Proper ("Fit" meaning that directors have the requisite skills and experience, and "Proper" meaning that they are persons of honesty and integrity). Board nominees must be recommended after being interviewed by Australian Mutual Bank's Director Nomination Committee.

Australian Mutual Bank's Corporate Code of Conduct contains policies concerning the acceptance of gifts, conflicts of interest, non-work related activities, confidentiality, and workplace behaviour.

The board of directors has created three committees in order to more effectively manage corporate and regulatory responsibilities. These committees are:

- Governance & Remuneration Committee
- Audit Committee
- Risk Committee

Australian Mutual Bank also conducts annual strategic and business planning in order to analyse performance against short and long term goals and to assess relevant risks. Annual financial budgets are prepared that take into account realistic projections of growth and profitability based on assessment of the economic environment.

There have been no reported instances of misconduct in relation to governance at Australian Mutual Bank during the year.

Responsible lending

Even before the introduction of responsible lending legislation, Australian Mutual Bank considers that it has always been a responsible lender. Australian Mutual Bank has always ensured that borrowing members have the capacity to make their loan repayments.

At Australian Mutual Bank our lending policies follow the guidelines set out by ASIC under The National Consumer Credit Protection Act. This Act formalised responsible lending guidelines and ensures that documents include adequate disclosures, that forms are correctly completed, and that proper serviceability calculations are used to assess loan affordability.

Compliance and Breaches (prudential and corporate)

Australian Mutual Bank's management, employees and Board are made aware of changes to regulatory or other legislative requirements by subscribing to:

- The Customer Owned Banking Association (COBA)
- GRC Solutions – for compliance bulletins, compliance manuals, and training modules; and
- DB Legal – for legal advice and guidance.

And by:

- Attending industry forums and conferences
- Employees attending general job specific training courses

While being confident that Australian Mutual Bank is aware of all compliance requirements, comprehensive reviews have revealed eleven (11) non-reportable breaches and four (4) reportable breaches during the 2019/20 year.

Managing the risk of fraud

Australian Mutual Bank has comprehensive internal and external fraud policies and procedures to minimise the risk of fraud. Whilst there were no instances of internal fraud during the year, external fraud in the form of internet banking fraud, identity fraud, Visa card and ATM fraud totalled $74,397. While some fraud events such as card skimming can be beyond Australian Mutual Bank's control, subscription to Cuscal's 24/7 Vigil card transaction monitoring system has reduced exposure to card and ATM fraud.

Australian Mutual Bank's Internal Audit function is responsible for assessing key areas of operations that could be targets for internal fraud. The Internal Auditor ensures that the relevant policies and procedures are adhered to, including the use of personal accounts, internet banking, electronic funds transfers, expense payments, and the placement of corporate investments.

No contracts with business partners were terminated due to fraud, and no legal cases of fraud were brought against Australian Mutual Bank or its employees.

Remuneration policies

Australian Mutual Bank employees are covered by an Enterprise Bargaining Agreement negotiated with the Finance Sector Union. Australian Mutual Bank does not impose any restrictions on employees regarding freedom of association.

The objective of the management remuneration policies is to ensure that Australian Mutual Bank complies with Prudential Standards and that performance based components of remuneration:

- encourage behaviour that supports Australian Mutual Bank's long-term financial soundness and its risk management framework.
- align with prudent risk-taking and incorporate adjustments to reflect:
  - the outcomes of business activities;
  - the risks of business activities including, where relevant, the cost of the associated capital; and
  - the time necessary for the outcomes of business activities to be reliably measured
- do not compromise the independence of risk and financial control personnel.

Australian Mutual Bank mitigates the risk that the remuneration of executive managers may conflict with the objectives of the policy by:

- limiting the performance component of an individual's remuneration to 10% of their base salary (maximum of 3.50% was paid during 2019/20);

- making the payment of any performance based component of remuneration entirely discretionary by Australian Mutual Bank; and
- limiting the payment of any discretionary remuneration until the end of the relevant financial year.

Corporate tax

In 2019 the mutual banking sector's consistently strong financial performance ranked the sector comfortably in the top 50 of corporate taxpayers and is evidence that mutual banks and credit unions are good corporate citizens and meet their obligation to pay company tax on their profits. Australian Mutual Bank pays its fair share of corporate tax in accordance with all taxation requirements.

Mutual banks exist to serve their members and they do not pay dividends to a separate group of owning shareholders. This feature of the mutual model means that company tax paid is more likely than company tax paid by listed banks under the dividend imputation scheme, to be retained as government revenue.

Modern Slavery Act

We understand that addressing modern slavery risks in our business supply chains and operations is not only important to Australian Mutual Bank but also to the financial industry, the mutuals sector, our government and our members. Currently the Modern Slavery (cth) Act 2018 mandates that businesses with operations in Australia and who have an annual minimum consolidated revenue of $100 million produce a modern slavery statement addressing seven key criteria set by the Federal Government.

Australian Mutual Bank does not fall into this category and therefore production of a modern slavery statement under the Commonwealths Act is not required. However, we are currently awaiting guidance in relation to the NSW Modern Slavery Act, which is yet to be enacted and which seeks to tackle modern slavery occurring in NSW and in the supply chains of NSW organisations, whether that conduct occurs within the state, the country or internationally. At the time of preparing this report there is still no firm date as to when the NSW Act will come into force, nor are there any clear guidelines in relation to the reporting requirements under this Act. However, in preparation, Australian Mutual Bank is starting to undertake due diligence in relation to modern slavery risks in our business operations and supply chains.

People

Our most valuable asset is our 180 employees (160 full time equivalent). Australian Mutual Bank encourages employees to continue their education through our Leadership Program and ongoing studies which increasingly provides opportunities for internal promotion and development. Continuous learning, and the confidence it brings, strengthens our workforce to provide a high level of service to our members in a challenging and competitive banking environment.

Exceptional circumstances in 2020 have seen a large percentage of employees adapt quickly to working from home while our frontline teams maintain a high level of service for our members.

Australian Mutual Bank genuinely cares about its people, and aims to meet our employee needs by providing a safe, friendly work environment with above award remuneration and attractive employee benefits.

Employee training

Australian Mutual Bank promotes a culture of personal development for all employees through a range of training activities. At the time of commencement, new employees complete a five day induction and orientation program designed to introduce them to the systems, policies and practices of the organisation. This is accompanied by a tailored training checklist which maps the individual's learning journey for the first six months.

Australian Mutual Bank actively recruits trainees, providing career opportunities for young people. Trainees are provided on the job coaching specific to their role and are enrolled in an industry related qualification course. The Traineeship program provides the foundation for an employee's long term career aspirations and creates an opportunity for the organisation to retain skilled people in the long term.

Part of Australian Mutual Bank's Employee Experience Program focuses on the development of existing employees through on the job and one on one training, attendance at internal training sessions and completion of external training courses and online industry related modules. Webinars, seminars and conferences are attended by employees to maintain their engagement in the Mutual industry and economic market. All employees are provided the opportunity to obtain qualifications through the completion of certificate courses offered by Registered Training Organisations. Managers are encouraged to complete courses that focus on developing the leadership and mentoring skills required in their roles. Annually, eligible employees who aspire to be a leader are invited to apply for The Leadership Program. This is a strategic initiative focused on the growth and development of our people who aspire to be a future leader. The successful applicant completes an Advanced Diploma in Leadership & Management qualification which provides the employee with the knowledge and skills to be successful in a leadership role.

Employee training is monitored using an internal Learning Management System. This includes coaching sessions conducted internally, completion of online compliance modules and development activities delivered externally such as conferences, seminars, webinars and workshops. The LMS is the platform used to track the organisation's adherence to regulatory training requirements.

Training is the foundation for growing and developing our people into highly skilled and professional individuals. Motivated and competent employees are able to provide exceptional service to our members and contribute to the strategic plans of the organisation.

Flexible working arrangements

Australian Mutual Bank offers alternative working arrangements including flexible hours to assist employees with family or other commitments, commuting during peak time, working from home options and part-time employment. Employees are encouraged by their manager to take their annual leave in the interests of their health and well-being.

Employee satisfaction

Employees are informed of changes in the business through regular updates and newsletters and are made aware of key decisions that may affect them. As part of the organisational culture, feedback to management from employees is always encouraged and employees can comfortably communicate with managers or supervisors on any issues.

All employees participate in an annual performance review regardless of the position they hold. This is considered an opportunity for employees to identify their strengths and their professional development needs, as well as to discuss career aspirations.

Remuneration

Given Australian Mutual Bank's mutually owned structure, there is no equity based payment scheme for directors or managers. Director and management remuneration is determined by the use of industry surveys and by comparison to similar sized organisations.

Australian Mutual Bank limits short term performance based remuneration to 10% of fixed remuneration. During 2019/20 the average performance based remuneration was 3.25%. All remuneration arrangements are designed to encourage behaviour that supports the Bank's long-term financial soundness and its risk management framework.

Gender equality

A report commissioned by the Australian Government found that sex discrimination was the leading driver of Australia's gender pay gap, followed by longer interruptions in work-life for women, and industry and occupational segregation.

Further research has also suggested that the introduction of pay transparency could reduce the gender pay gap by between 2% to 7%. The Finance Sector Union recommended that as an initial step all financial institutions could remove pay confidentiality clauses from employment contracts. Australian Mutual Bank is confident that we consistently apply the gender principle of equal pay for equal work, and the 'Private and Confidential' header has been removed from all employee communication pertaining to remuneration. Employees have the right to disclose or not disclose their pay.

The Workplace Gender Equality Act requires non-public sector employers with 100 or more employees to submit a report to the Workplace Gender Equality Agency. Australian Mutual Bank's report is available on the wgea.gov.au website.

The Australian Institute of Company Directors had a target of 30% female board representation for ASX200 companies by 2018. As at 30 June 2020, three of the eight Australian Mutual Bank Board of Directors are women (37.5%). Excluding the CEO, two of the six Executive Managers are women.

Risk Culture

Australian Mutual Bank assesses risk culture annually to identify employee attitudes towards the development and effective operation of the risk management framework.

This survey is presented to the Board Risk Committee, with any required corrective actions recommended to the Board for adoption.

Women in Mutuals

The organisation Women in Mutuals (WIM) is currently headed voluntarily by Australian Mutual Bank's Executive Manager – People, Joanna Vella. WIM is a network of employees in the mutual industry with a desire to enhance knowledge, create an environment for worthwhile discussions and advance the standing of women in the industry. WIM aims to facilitate interaction and organise activities that support peer discussion and collaboration. Female employees at Australian Mutual Bank are encouraged to attend relevant WIM mutual events to be inspired by, network with, and learn from leading women in the Mutual industry.

Wellbeing of Employees

The wellbeing of Australian Mutual Bank employees is a priority. Healthy and happy employees are more efficient, productive and better team players. Employees are encouraged to go home on time, to avoid working overtime, and to manage their stress levels and to take their full allocated breaks throughout the day.

Employees can access an Employee Assistance Program to seek counselling and support if they need emotional support or guidance, even if the matter is not related to work. Employees are also encouraged to participate in exercise during their lunchtimes or after work to aid their physical and emotional wellbeing.

Cultural Diversity

Australian Mutual Bank is an inclusive employer and has benefited from a diverse workforce in terms of culture, age, ability and life experiences. We welcome the viewpoints and expertise that different people bring to our work environment. Including a proud Ngarabul woman, we have employees born in twenty three countries. Across all employees there are thirty-six languages other than English spoken

Languages Spoken	English dialects understood
Afrikaans, Arabic, Bengali, Burundi, Cantonese, Mandarin, Croatian, Fijian, French, Gaelic, German, Greek, Hindi, Ibo, Italian, Macedonian, Maltese, Nepalese, Pidgin English, Polish, Portuguese, Punjabi, Romanian, Russian, Rwandan, Samoan, Sicilian, Sinhalese, Spanish, Tagalog, Tetum, Turkish, Ukrainian, Urdu, Vietnamese and Zulu	Country NSW (Broken Hill, Coffs Harbour, Coonabarabran, Cootamundra, Parkes, Scone, Taree, Wellington, Yass), Kiwi, Mancunian, North East (UK), Scouse, and Sydney (North, South, East & West)

Community

During 2019/20 Australian Mutual Bank participated in, and/or directly financially contributed to a number of important causes in our communities some examples include:

Coogee Surf Life Savings Club

Kokoda Charity – Sydney Trains

Shire Women

Tracksafe Foundation – Rail RU OK Day

Permanent Way Institute

Transport for NSW
- City2Surf
- Women and Youth in Engineering

Transport Life and Leisure

Sydney Trains – Rail Operations Centre Family Open Day

Ausgrid Staff Club – Childrens Christmas Party

International Women's Day

RU OK Day

St Andrews Trains

Pyjama day in July – in support of raising funds for children in foster care

Footy Colours Day in support of fight cancer foundation and supporting the education of kids living with cancer

Tartan education program

The Koori Knockout – Sponsorship of a team in one of the largest indigenous Sporting events in Australia

Major Sponsors of the Newtown Jets (2019 winners of the NSW State Cup and NRL State Championship)

Tracksafe (Rail)

ATO

Transport life and leisure (Rail)

BISA (Bus)

Australasian Railway Association

Railway Institution Sporting Club

Services Australia (Dept. Human Services – Centrelink)

Ausgrid retired staff club

Transport Heritage NSW

PSA

Ausgrid staff club

HSU

Bus Sporting Institute

PWI (Permanent Way Institute)

Cronulla Sharks Player Sponsorship

Australian Mutuals Foundation (AMF)

As part of Australian Mutual Bank's commitment to social responsibility and in support of the ideals that the mutual industry was built upon, Australian Mutual Bank is very proud to have established and launched the Australian Mutuals Foundation (AMF) in 2016.

The AMF is a registered charity with the Australian Charities and Not-for-profits Commission, and is now a major partner of the charity for children, Barnardos.

The AMF has three objectives:

> To support Australian children and youth who are at risk of abuse or neglect, or who are disadvantaged in terms of housing, medical care or education (these activities are conducted through a partnership with Barnardos)

> To assist remote and disadvantaged communities in impoverished South East Asian and South Pacific countries to alleviate poverty through the creation of sustainable financial cooperatives (these activities are conducted through a partnership with the Asian Confederation of Credit Unions)

> To provide a mechanism for members of cooperatives and mutuals, and the general public, to make donations to those affected by natural disasters.

The AMF now has twelve credit union, mutual bank and related supplier supporters. During 2019/20 Australian Mutual Bank donated $230,000 to the Australian Mutuals Foundation.

Barnardos

Barnardos Australia believes all children and young people deserve caring families in which they can grow safely and fulfil their potential. However, every day in Australia, there is an average of 186 reports of child abuse and/or neglect. For most of us, childhood was the easiest part of our lives, but for thousands of Australian children it can be the hardest. The children Barnardos helps have been exposed to very difficult circumstances in their young lives - violence, poverty, drugs and alcohol issues, mental illness, homelessness and disability. Barnardos works together with children, young people and families to break the cycle of disadvantage by creating safe, nurturing and stable homes that are connected to family and community. Through the Australian Mutuals Foundation, Australian Mutual Bank is proud to be a supporter of Barnardos.

Asian Confederation of Credit Unions (ACCU)

Globally, all mutuals have a social responsibility to assist with co-operative development in less developed countries. The AMF aggregates donations from twelve Australian mutuals who seek to assist with credit union development in some of Asia's poorest countries, Laos and Timor Leste.

Through a partnership with ACCU, there are local employees providing training and monitoring for developing credit cooperatives. The aim is to see the co-ops to develop to a stage where they can be self-sustaining.

Disaster relief

The summer of 2019/20 saw a bushfire disaster in Australia's south east. Domestic donations totaled almost $60,000 and all of the funds raised were redirected to local on-the-ground charitable relief. The international cooperative community, through the Australian Business Council for Cooperatives and Mutuals, made donations totaling AUD$325,000. These funds were used to provide grants to assist charities, co-operatives and mutuals, and members of these organisations to help their communities to recover from the impact of the bushfires.

Employee Volunteering

Australian Mutual Bank employees are encouraged to volunteer their time to support approved causes and/or assist with fundraising for organisations associated with Australian Mutual Bank.

Through Australian Mutual Bank's work with Barnardos:

- three staff volunteered to chaperone disadvantaged children at the Barnardos Special Needs Children's Christmas party
- all employees contributed to a fundraiser for The Barnardos Gifts for Kids – Christmas Gift Appeal
- Four employees participated in the Kingston House Working Bee, where they assisted in preparing the property to accommodate women and their children escaping domestic violence.

Environment

Electronic service delivery

Australian Mutual Bank is conscious of the way in which it uses resources and looks to minimise its carbon footprint. Australian Mutual Bank employees consciously try to print only when required, reducing the number of ink cartridges and resources being used by the organisation. Internal documents use double sided printing where possible and there is an electronic storage system for member information. Committee and Board reports are sent electronically, and much correspondence and proof reading of documents is done via email rather than hard copies to reduce paper wastage.

Almost 9,000 Australian Mutual Bank members have opted to receive communications from Australian Mutual Bank via email rather than post.

Climate risk

Australian companies have a legal obligation to disclose material risks, including material climate-related risks. At this stage, Australian Mutual Bank recognises physical climate change risks in terms of increased risk of flooding, droughts, and increased frequency and severity of extreme weather events.

Climate warming damages livability and workability through a higher probability of lethal heat waves and bush fires. Excess heat restricts workers' physical functions and productivity and it can lead to heatstroke in extreme cases, which can be fatal. With severe bushfires impacting communities across Australia, there are also considerable health risks for workers during periods of elevated smoke levels, for individuals with air pollution sensitivity, and especially when combined with an underlying medical condition.

Australian Mutual Bank is analysing its exposure to loan security properties to ascertain those that may have an increased risk of flooding, fire, or increased exposure to severe weather events. Climate risk is a standing agenda item for management risk committee meetings.

Suppliers

Major suppliers co-operatively owned

Some of Australian Mutual Bank's important industry-based suppliers are owned by mutuals. By co-operating with other mutuals, Australian Mutual Bank is able to negotiate competitive pricing for the goods and services that mutuals use in common, as opposed to negotiating individual arrangements.

TransAction Solutions hosts Australian Mutual Bank's core banking and networking functions and is owned by nineteen mutuals. CUSCAL (formerly known as Credit Union Services Corporation Australia Ltd) provides transaction switching services and is similarly co-operatively owned (albeit to a maximum of 80% from 2014). Co-operation among mutuals is key to creating economies that reduce costs and improve profitability.

Australian and local sourcing

Goods and services used by Australian Mutual Bank are acquired from Australian suppliers, including the core banking software system which is owned by the Melbourne based Ultradata Australia. Australian Mutual Bank does acknowledge however, that certainty around the origin of all the products it procures is difficult.

Australian Mutual Bank itself is 100% Australian owned and operated and does not outsource its employees offshore. Australian Mutual Bank considers all branches as significant locations of operation and Australian Mutual Bank will use local suppliers, most of whom are located within the boundaries of Sydney, the Central Coast and the Hunter region according to the branch location. When fitting out our branch offices, Australian Mutual Bank uses local professionals and trades people.

Selected Standard Disclosures Index

Australian Mutual Bank has not sought external assurance for this report

Selected Standard Disclosures	Description	Section / Direct Answer
STRATEGY AND ANALYSIS		
1	Statement from the most senior decision-maker of the organization	Refer to 'Introduction'
ORGANISATIONAL PROFILE		
2	Name of the organisation	Australian Mutual Bank Ltd
3	Primary brands, products and services	Refer to 'Introduction' Primary products: Financial products, services and advice
4	Location of the organisation's headquarters	Registered Office in Surry Hills, NSW, second administration office in Blacktown, NSW
5	Number of countries where the organisation operates, and names of countries with either significant operations or that are specifically relevant to the sustainability topics covered in the report	Australian Mutual Bank Ltd operates only in Australia
6	Nature of ownership and legal form	Ownership: Owned by its members Legal form: An Approved Deposit-taking Institution that is regulated by the Australian Prudential Regulatory Authority (APRA) under the Banking Act
7	Markets served	Markets served: Australia Sectors: Financial Services Types of Customers: Individuals seeking credit, loan, deposit and related services and advice
8	Scale of the organisation	Number of operations: Administrative office plus 22 branches Total Assets: $1.659 billion (as at June 2020)
9	Total number of employees by employment type, employment contract and region, broken down by gender	Full-time employees: 142 Part-time employees: 28 Casual employees: 10 Total employees: 180 (all based in Australia) Full-time equivalent: 160.26 Employees based in Sydney: 162 Employees based in Gosford: 4 Employees based in Newcastle: 4 Employees based in Blue Mountains: 5 Employees based in Parkes: 5 Number of female employees: 132 Number of male employees: 48

General Standard Disclosures	Description	Section / Direct Answer
10	Percentage of total employees covered by collective bargaining agreements	Except for Executive Managers all of Australian Mutual Bank's employees are covered by an Enterprise Bargaining Agreement negotiated with the Finance Sector Union. Australian Mutual Bank does not impose any restrictions on employees regarding freedom of association.
11	Description of the organisation's supply chain	Refer to 'Suppliers'
12	Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Australian Mutual Bank Ltd was created by the merger of Endeavour Mutual Bank and Sydney Credit Union on 1 October 2019. There were no other significant changes in Australian Mutual Bank's structure, ownership, or its supply chain during the last 12 months.
13	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	There is no formalised process at Australian Mutual Bank for applying the precautionary principle. However, we remain conscious of our social and environmental impacts.
14	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Australian Mutual Bank abides by the World Council of Credit Unions International Operating Principles Signatory to the Customer Owned Banking Code of Practice Member of the Australian Financial Complaints Authority
15	Memberships of associations (such as industry associations) and national or international advocacy organisations	Member of the Customer Owned Banking Association Member of the Business Council of Co-operatives and Mutuals Supporter member of the Asian Confederation of Credit Unions (ACCU)
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
16	All entities included in the organisation's consolidated financial statements or equivalent documents including indication which of these are not covered by the report	The financial statements cover the breadth of Australian Mutual Bank's operations.
17	Process for defining the report content and the Aspect Boundaries	Refer to 'Focusing the report content'. This report covers the breadth of Australian Mutual Bank's operations for the reporting period.
18	Material Aspects identified in the process for defining report content	Australian Mutual Bank has identified its material GRI Aspects for the reporting period. For an overview of these material GRI Aspects and further information on where in this report they are discussed, please refer to the section 'Focusing the report content'.
19	Aspect Boundary within the organisation for each material Aspect	Aspect Boundaries for each material Aspect were not determined for this report but will be considered in our future reporting as we become more familiar with the boundary setting process.
20	Aspect Boundary outside the organisation for each material Aspect	See above comment for 19

General Standard Disclosures	Description	Section / Direct Answer
21	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	Restatements of any information provided in the Endeavour Mutual Bank 2018 Sustainability Report result from the nature of the business of providing co-operatively owned financial services.
22	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	See above comments for 19 to 21
STAKEHOLDER ENGAGEMENT		
23	List of stakeholder groups engaged by the organisation	Refer to 'Australian Mutual Bank's stakeholders'
24	Basis for identification and selection of stakeholders with whom to engage	'Engaging the stakeholders'. The small scale of the business means a relatively small group of key stakeholders; the process for selecting with whom to engage our relatively small group of key stakeholders allows us to maintain direct, personal relationships with each group.
25	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	This was not determined for the report but will be considered in future reporting as we become more familiar with the reporting requirements
26	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	'Focusing the report content' 'Recent Highlights' 'Current Challenges' In addition, each report section addresses the relevant material issues identified, including how Australian Mutual Bank has responded or how we intend to respond in future.
REPORT PROFILE		
27	Reporting period (such as fiscal or calendar year) for information provided	Fiscal Year
28	Date of most recent previous report (if any)	30 June 2018 by Endeavour Mutual Bank.
29	Reporting cycle	Annual
30	Contact point for questions regarding the report or its contents	Mark Worthington, CEO, Australian Mutual Bank
31	'In accordance' option chosen for the report	This table represents Australian Mutual Bank's GRI Content Index for the report. It should be noted that Australian Mutual Bank has slightly altered the GRI Content Index format suggested in the G4 Implementation Manual in a way that we believe increases accessibility, particularly for those readers not familiar with G4, or the GRI Guidelines more broadly.
32	Policy and current practice with regard to seeking external assurance for the report	Australian Mutual Bank has not sought external assurance for this report.

General Standard Disclosures	Description	Section / Direct Answer
GOVERNANCE		
33	Governance structure of the organisation, including committees of the highest governance body and any committees responsible for decision-making on economic, environmental and social impacts	Refer to 'Governance'
34	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines	Australian Mutual Bank is a member of the Customer Owned Banking Association (COBA) and is a signatory to the Customer Owned Banking Code of Practice GRC Solutions provides Australian Mutual Bank with compliance and legal support. Training – computer-based training modules covering key regulatory areas to ensure that employees are well-trained and that mandatory training requirements are met Employee Relations – access online Employee Relations support Compliance Forums – forums for compliance managers and employees covering regulatory developments Compliance Manuals – compliance manuals, guides, and other resources covering most areas relevant to retail banking and finance. Australian Mutual Bank is a member of the Australian Financial Complaints Authority which independently resolves disputes between consumers and member financial services providers. This independent dispute resolution process covers financial services disputes and is funded by banking institutions and hence free to consumers. Australian Mutual Bank also subscribes to a legal advisory service provided by DB Legal.
35	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	Australian Mutual Bank is committed to ensuring compliance with the law and the highest ethical standards in the conduct of its business. The Australian Mutual Bank Whistleblowing Policy is designed to discourage improper conduct, to enable whistleblowers to report suspected improper conduct in good faith without risk of personal disadvantage from making the report, and facilitate the investigation of such reports. Training and education is conducted via an ongoing program for all directors, employees and contractors. This includes Australian Mutual Bank's commitment to ensuring compliance with the law and the highest ethical standards in the conduct of its business, the existence of the policy to facilitate good faith reports of suspected improper conduct without risk of personal disadvantage, Australian Mutual Bank's Corporate & Director Code of Conduct, and information on the sort of improper conduct to be particularly aware of.

SPECIFIC STANDARD DISCLOSURES

Material Aspects	Description	Page / Direct Answer
MEMBERS		
36	Results of surveys measuring customer satisfaction	Refer to 'Member satisfaction'
37	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship, by type of outcomes	Australian Mutual Bank has had no incidents of non-compliance with regulations and voluntary codes concerning marketing communications including advertising, promotion and sponsorship. Refer to 'Improved product transparency'
Governance		
38	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Australian Mutual Bank has had no incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling. Refer to 'Governance'
39	Monetary value of significant fines for non-compliance with laws and regulations codes concerning the provision of products and services	Australian Mutual Bank has had no fines for non-compliance with laws and regulations codes concerning the provision of products and services. Refer to 'Governance'
40	Confirmed incidents of corruption and actions taken	Australian Mutual Bank has had no confirmed incidents of corruption in the reporting period Refer to 'Managing the risk of fraud'
PEOPLE		
41	Benefits provided to full-time employees that are not provided to part-time employees, by significant locations of operation	There are no benefits provided to full-time employees that are not provided to part-time employees
42	Return to work and retention rates after parental leave, by gender	Female employees who took parental leave during the period: 6 Male employees who took parental leave during the period: 0 Resignations (did not return from parental leave): 0 Employees who did or will be returning to work: 2
43	Average hours of training per employee, by gender and by employee category	Average training hours per employee: 27.5 Average training hours per male employee: 27.9 Average training hours per female employee: 27.1

Material Aspects	Description	Page / Direct Answer
44	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Employees are encouraged to participate in related higher level education and this is supported with opportunities for study leave and financial assistance. Trainees are provided with on the job workplace training whist undertaking a Certificate III Financial Services and where appropriate continue on to undertake a Certificate IV in a related qualification. Professional development is also supported for the following memberships: • 120 hours over a 3 year period for employees who have attained CPA membership; • 80 hours over a 2 year period for employees who have attained IPA membership; • 75 hours over a 3 year period for employees who have attained GIA membership; and • 60 DPD units over a 3 year period for employees who have attained AICD membership.
45	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	All Australian Mutual Bank employees receive regular performance and career development reviews
COMMUNITY		
46	Access points in low-populated or economically disadvantaged areas by type	Australian Mutual Bank has branches in Bankstown, Campbelltown, Chullora, Fairfield, Gosford, Gymea, Hamilton, Katoomba, Marrickville, Mascot, Merrylands, North Ryde, Parkes, Parramatta, Penrith, Revesby, Rockdale, Rouse Hill, Springwood, Sutherland, Sydney CBD & Windsor.
47	Initiatives to improve access to financial services for disadvantaged people	Refer to 'International social responsibility'
SUPPLIERS		
48	Proportion of spending on local suppliers at significant locations of operation	This information is not available this year

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DIRECTORS' REPORT

The Directors present their report together with the Consolidated Financial Statements of Australian Mutual Bank Ltd (AMBL) and SCU Trust No. 1 (together: "the Group") for the financial year ended 30 June 2020. 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, Sutherland Shire Council 2008 - present
Business consultant 1997 - 2008, Sutherland Shire Council 1995 - 2008
Director, Sydney Credit Union 2009 - 2019
Executive Officer, Sutherland Shire Council Employees Credit Union 2000 - 2009
Director, Sutherland Shire Council Employees Credit Union 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 Management Accountant, Greyhound Welfare & Integrity Commission 2018 - present
Board member, Western NSW Local Health District January 2017 - present
Director, Endeavour Mutual Bank 2016 - 2019
Director, Select Credit Union 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
Alternate board member, Sydney Alliance for Community Building 2013 - present
Director, Endeavour Mutual Bank 2016 - 2019
Director, Encompass Credit Union 2009 - 2016
Board member, State Plus (formerly State Super Financial Services) 2013 - 2015
Board member, Transport Heritage NSW 2016 - present
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
Certified Practising Accountant
CPA Public Practice Certificate

Memberships
Graduate member, Australian Institute of Company Directors
Member, Australian Institute of Management
Member, Mutuals Audit & Governance Professional Institute

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

Kerrie Anne Daynes

Director (independent & non-executive)

Qualifications
Graduate Certificate of Business
Graduate Certificate in Management (Professional Practice)

Memberships
Member, Australian Institute of Company Directors

Experience
Director since 2004
Director, Sydney Credit Union 2014 - 2019
Director, Allied Members Credit Union 2008 – 2014
Director, Security Credit Union 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)
Fellow, Institute of Managers & Leaders

Memberships
Member, Australian Institute of Company Directors

Experience
Director since 2003
Managing Director of a travel company 2008 - present
Director, Karpaty Foundation 2011 - present
Director, Sydney Credit Union 2005 - 2019
Director, Pinnacle Credit Union 2003 - 2005
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
Director, Sydney Credit Union Ltd 2017 - 2019
Manager, Sutherland Shire Council 2016 - present
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
Director, Endeavour Mutual Bank 2016 - 2019
Director, Select Credit Union 2010 - 2016
Over 25 years experience in commercial finance, risk management and investment governance

Following Directors retired from the Board during the financial year

Vanessa Marie Bourke	From 2014 to 30 September 2019
John Matthew Parsons	From 2014 to 30 September 2019
Raymond William Thorn	From 2005 to 30 September 2019
Gary Martin Varcoe	From 2008 to 30 September 2019

Information on the Chief Executive Officer

Mark Joseph Worthington

Chief Executive Officer (from 1 October 2019)

Qualifications
Bachelor of Arts
Master of Business Administration

Memberships
Graduate member, Australian Institute of Company Directors

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

Ashley John Jennings

Chief Executive Officer (to 30 September 2019)

Qualifications
Advanced Diploma in Accounting
Certificate III in Investment & Personal Financial Planning
Diploma of Management

Experience
CEO, Sydney Credit Union, 1998 - 2019
Director, Transaction Solutions 2001 - present
Director Karpaty Foundation 2009 - present
39 years in the financial services industry

Directors' Meeting Attendance

	Australian Mutual Bank Ltd*								Sydney Credit Union Ltd				
Director	**Board**		**Governance & Remunera-tion**		**Audit**		**Risk**		**Executive & Remunera-tion**		**Corporate Governance**		**Period of Appointment**
	H	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**	
Hans Kludass	9	8	3	3	3	3			2	2	2	2	01/07/2019 to 30/06/2020
Fiona Bennett	6	6	3	3			4	4					01/10/2019 to 30/06/2020
Anton Usher	9	8	3	3			5	4					01/07/2019 to 30/06/2020
Kristen Watts	6	6	3	3	3	3							01/10/2019 to 30/06/2020
Alex Claassens	6	6					4	4					01/10/2019 to 30/06/2020
John Cottee	6	6			3	3							01/10/2019 to 30/06/2020
Kerrie Daynes	9	7			4	3							01/07/2019 to 30/06/2020
Mark Sawyer	9	9					4	4	2	2	2	2	01/07/2019 to 30/06/2020
Vanessa Bourke	3	1			1	1							01/07/2019 to 30/09/2019
John Parsons	3	3					1	1	2	2	2	2	01/07/2019 to 30/09/2019
Ray Thorn	3	3			1	1			2	2	2	2	01/07/2019 to 30/09/2019
Gary Varcoe	3	3					1	1					01/07/2019 to 30/09/2019

H – Meetings eligible to attend

A – Meetings attended

* The board agreed to change the committee structure from 1 October 2019

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 28 of the financial report.

Company Secretary

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

Mr Ashley Jennings was the appointed Company Secretary until 30 September 2019. Mr Jennings was the Chief Executive Officer and Company Secretary of Sydney Credit Union Ltd from 1998 until 30 September 2019.

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. Mr Brasier was the Company Secretary of Endeavour Mutual Bank from 2006 to 30 September 2019.

Indemnifying Directors, Officers and Auditor

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 $156,074 (2019 $1,477,000). One-off expenses of $3,287,477 related to merger and restructuring impacted the results. As at 30 June 2020 capital adequacy was 21.53% which is well above the statutory minimum of 8%.

During 2020 the COVID-19 pandemic caused Australia's lowest ever interest rate environment which has affected the Group's profitability. The pandemic also changed administative employee working arrangements to working from home.

Dividends

Since the end of the financial year, no dividends have been paid or declared by the Directors of the Group from the profits earned during the year ended 30 June 2020 or prior.

Significant Changes In State Of Affairs

On 1 October 2019 Sydney Credit Union Ltd merged with Endeavour Mutual Bank. The merged entity changed its name to Australian Mutual Bank Ltd. There were no other significant changes in the state of the affairs of the Group during the year.

Events Occurring After Balance Date

The impact of the COVID-19 pandemic is ongoing and continues to impact both the global and Australian economies. Subsequent to 30 June 2020, the Group experienced a significant reduction in loan demand. The Group continues to manage the 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 2020 remains appropriate. The Group is continuing to monitor the potential impact of COVID-19 on our members, operations and performance. The situation is dependent on responses imposed by the Australian Government and other countries, including quarantine, travel restrictions and any economic stimulus measures implemented.

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;

(ii) The results of those operations; or

(iii) The state of affairs of the Group

in the financial years subsequent to this financial year.

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's Independence

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 37 of this report.

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).

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
Chair

K Watts
Chair, Board Audit Committee

Dated 30 September 2020

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 41 to 80 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 2020 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
Chairman

Dated 30 September 2020

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 2020 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
30 September 2020

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 Group's financial position as at 30 June 2020 and 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 2020;
- 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 Group and the Mutual Bank 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.

KPMG

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's and the Mutual Bank'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 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
30 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Year Ended 30 June 2020

	Note	**2020 $'000**	2019 $'000
Interest revenue	2.a	**44,426**	33,244
Interest expense	2.c	**12,123**	11,170
NET INTEREST INCOME		**32,303**	22,074
Fees, commission and other income	2.b	**4,212**	2,736
NET INTEREST INCOME AND OTHER INCOME		**36,515**	24,810
NON INTEREST EXPENSES			
Impairment losses on financial assets	2.d	**637**	704
Fee and commission expenses		**4,373**	2,867
		5,010	3,571
General administration			
- Employees' compensation and benefits		**18,934**	11,590
- Depreciation and amortisation		**4,365**	729
- Information technology		**3,444**	2,175
- Office occupancy		**892**	2,378
- Other administration		**2,588**	1,225
Total general administration		**30,223**	18,097
Other operating expenses		**1,166**	950
TOTAL NON INTEREST EXPENSES		**36,399**	22,618
PROFIT BEFORE INCOME TAX		**116**	2,192
Income tax (benefit)/expense	3	**(40)**	715
PROFIT AFTER INCOME TAX		**156**	1,477
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		**894**	276
Movement in reserve for land and buildings at fair value		**160**	4,521
TOTAL COMPREHENSIVE INCOME		**1,210**	6,274

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

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
for the Year Ended 30 June 2020

	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 2018	727	62,345	2,458	12,829	2,300	-	80,659
Profit for the year	-	1,477	-	-	-	-	1,477
Changes on initial adoption of AASB 9	-	803	1,933	-	(2,300)	-	436
Other Comprehensive Income for the year	-	-	4,797	-	-	-	4,797
Transfer to/(from) Reserves	8	(8)	(1,212)	1,212	-	-	-
Total as at 30 June 2019	735	64,617	7,976	14,041	-	-	87,369
Balance as at 1 July 2019	**735**	**64,617**	**7,976**	**14,041**	**-**		**87,369**
Changes on adoption of AASB 16	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Adjusted balance at 1 July 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**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
ASSETS			
Cash and cash equivalents	4	**15,812**	13,030
Receivables	5	**3,696**	1,174
Prepayments		**536**	564
Loans and advances to members	6 & 7	**1,175,410**	739,787
Receivables due from other financial institutions	8	**171,815**	38,133
Investment and equity securities	9	**257,338**	126,653
Property, plant and equipment	10	**24,931**	13,307
Right-of-use assets	10	**5,870**	-
Taxation assets	11	**2,557**	732
Intangible assets	12	**659**	605
TOTAL ASSETS		**1,658,624**	933,985
LIABILITIES			
Lease Liabilities	10	**6,204**	-
Deposits from members	13	**1,458,238**	833,583
Creditor accruals and settlement accounts	14	**10,349**	8,418
Deferred tax liability	15	**2,420**	398
Provisions	16	**5,492**	4,217
TOTAL LIABILITIES		**1,482,703**	846,616
NET ASSETS		**175,921**	87,369
MEMBERS' EQUITY			
Capital reserve account	17	**1,436**	735
Asset revaluation reserve	18 (i)	**9,030**	7,976
General reserve	18 (ii)	**14,041**	14,041
Transfer of business reserve	19	**86,648**	-
Retained earnings		**64,766**	64, 617
TOTAL MEMBERS' EQUITY		**175,921**	87,369

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended 30 June 2020

	Note	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**44,576**	33,818
Fees and commissions		**2,927**	2,369
Dividends		**784**	251
Other income		**482**	163
Interest paid		**(13,575)**	(10,743)
Suppliers and employees		**(33,734)**	(21,030)
Income taxes paid		**(1,121)**	(1,598)
Decrease (increase) in Member loans (net)		**31,177**	(59,605)
Decrease (Increase) in non-Member loans (net)		**4,717**	(2,704)
Increase in Member deposits and shares (net)		**67,114**	63,594
(Increase) decrease in receivables from other financial institutions (net)		**(67,407)**	15,587
Net Cash from Operating Activities	33(b)	**35,940**	20,102
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		**47**	23
Proceeds on sale of intangible assets		**-**	13
Purchase of equity investments		**-**	(20)
Purchase of intangible assets		**(234)**	(348)
Purchase of property plant and equipment		**(1,009)**	(430)
Increase in investment securities		**(35,108)**	(11,529)
Net cash received on transfer of engagement		**5,596**	-
Net Cash used in Investing Activities		**(30,708)**	(12,291)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in borrowings		**-**	(4,000)
Lease payments		**(2,450)**	-
Net Cash used in Financing Activities		**(2,450)**	(4,000)
TOTAL NET CASH INCREASE		**2,782**	3,811
Cash at Beginning of Year		**13,030**	9,219
Cash at End of Year	33(a)	**15,812**	13,030

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

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. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRS's) as issued by the International Accounting Standards Board (IASB). AMBL is a for profit entity for the purpose of preparing the financial statements.

This financial report is prepared for Australian Mutual Bank Ltd (AMBL) as a consolidated entity, for the year ended the 30 June 2020. These consolidated financial statements as at and for the year ended 30 June 2020 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 31.The report was authorised for issue on 30 September 2020 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. New Standards Applicable for the Current Year

AMBL has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019.

AASB 16 Leases

The standard replaces AASB 117 Leases and has for lessees removed the current distinction between operating and finance leases. The standard requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The new standard has been applied as at 1 July 2019 using the retrospective approach but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed below.

The Group has elected to apply the practical expedient to grandfather the assessment of which transactions are leases. As such the group has relied on its assessment made applying AASB 117 and Interpretation 4 determining whether an Arrangement contains a Lease for contracts entered into before the transition date and has applied AASB 16 to those contracts. Contracts not previously identified as leases under AASB 117 and Interpretation 4 have not been reassessed for whether there is a lease under AASB 16. Therefore the definition of a lease under AASB 16 has only been applied to contracts entered into or changed on or after 1 July 2019.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

The Group has no leases previously accounted for as operating leases with a remaining lease term of less than 12 months and leases of low-value assets.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.64%.

Measurement of lease liabilities

	2019 $'000
Operating lease commitments disclosed as at 30 June 2019	6,717
Discounted using the lessee's incremental borrowing rate at the date of initial application	(437)
Lease liability recognised as at 1 July 2019	6,280
Of which are:	-
Current lease liabilities	1,665
Non-current lease liabilities	4,615

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019.

	Closing balance 30 June 2019	Adoption of AASB16	Opening balance 1 July 2019
Right-of-use assets	-	6,280	6,280
Lease liabilities	-	(6,280)	(6,280)

The net impact on retained earnings on 1 July 2019 was an increase of $0.

Interpretation 23 (Int 23) Uncertainty over Income Tax Treatments

Int 23 clarifies the application of AASB 112 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. There was no significant effect from the adoption of Int 23 in relation to accounting for uncertain tax positions.

d. 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 transaction costs, except for those carried at fair value through profit or loss and fair value through other comprehensive income, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Classification and measurement of financial assets

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.

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 finance costs, finance income or other financial items, except for impairment of loans and receivables, which is presented in the statement of profit or loss and other comprehensive income.

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 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 $1.14 per Cuscal share and $8.02 per TransAction Solutions share is a reasonable approximation of fair value based on the likely value available on a sale.

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 ('FVTPL').

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVTPL, 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.

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.

Members' deposits

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

(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 – the 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.

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 revenue.

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.

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) Bad debts written off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the income statement.

(iii) 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 Statement of Comprehensive Income. A deferred tax liability is provided when a revaluation occurs. Revaluation decreases are debited to the 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.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount in the revaluation reserve is transferred to retained earnings.

Sale and leaseback transactions

For a sale and leaseback transaction that results in a finance lease, any excess of proceeds over the carrying amount is deferred and amortised over the lease term.

For a transaction that results in an operating lease, if the transaction is carried out at fair value the profit and loss is recognised immediately.

(iv) Receivables 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. 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 statement of financial position.

(v) 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.

(vi) 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.

(vii) 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.

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 ('FVTPL').

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVTPL, 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.

(i) 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.

(ii) Members' deposits

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

(iii) 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.

(iv) 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 27.5% (2019:30%).

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.

(v) 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.

Revenue, 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 statement of financial position. Cash flows are included in the cash flow statement on a gross basis. 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.

e. Consolidation

Business combinations

The Group applies the acquisition method in accounting for business combinations. Refer Note 36.

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 the 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, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. All inter-company transactions have been eliminated on consolidation.

f. 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.

g. 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.

	2020 $'000	2019 $'000
2 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
a. Analysis of interest revenue		
Interest revenue on assets carried at amortised cost		
Cash – deposits at call	**49**	121
Receivables due from financial institutions	**5,343**	4,590
Loans to Members	**39,034**	28,499
Loans to Capital Investors	**-**	34
TOTAL INTEREST REVENUE	**44,426**	33,244
b. Fee, commission and other income		
Fee and commission revenue		
Fee income on loans – other than loan origination fees	**592**	154
Fee Income from member deposits	**205**	574
Other fee income	**405**	283
Insurance commissions	**533**	489
Other commissions	**1,188**	812
TOTAL FEE, AND COMMISSION REVENUE	**2,923**	2,312
Other Income		
Dividends received on equity investments	**784**	251
Bad debts recovered	**147**	61
Income from property (rental income)	**252**	94
Gain on disposal of assets		
- Property, plant and equipment	**23**	18
Other revenue	**83**	-
TOTAL FEE, COMMISSION AND OTHER INCOME	**4,212**	2,736
c. Interest expenses		
Interest expense on liabilities carried at amortised cost		
Deposits from Members	**11,966**	11,046
Deposits from ADI's	**50**	78
Overdraft	**12**	16
Borrowings	**8**	30
Interest – Lease Liability	**87**	-
TOTAL INTEREST EXPENSE	**12,123**	11,170
d. Impairment losses		
Loans and advances to members		
Increase in provision for impairment	**68**	511
Bad debts written off	**176**	36
Total impairment losses on loans to members	**244**	547
Other loans to non-members via SocietyOne		
Increase in provision for impairment	**-**	157
Bad debts written off	**393**	-
Total impairment losses on SocietyOne loans	**393**	157
Total impairment losses	**637**	704

	2020 $'000	2019 $'000

e. Individually significant items of expenditure

Costs of Merger		
Staff Redundancy Payments – Restructure	**144**	-
Staff Redundancy Payments – Merger	**2,120**	-
Merger Costs - Consultants	**191**	10
Merger Costs - Website	**8**	-
Merger Costs – IT	**310**	8
Merger Costs - Other	**20**	-
Merger Costs - Legal Costs	**22**	16
Merger Costs – Postage	**25**	-
Merger Costs – Staff Associated Costs	**7**	-
Merger Costs - Branding	**245**	112
Merger Costs - Special General Meeting	**41**	-
Merger Costs - Directors	**-**	11
Merger Costs - Makegood Lease	**154**	-
Costs of Merger & Restructure	**3 ,287**	157

f. Prescribed expense disclosures

General administration - employees costs include:		
- net movement in provisions for employee annual leave	**336**	(30)
- net movement in provisions for employee long service leave	**401**	140
- net movement in staff redundancy provision	**2,389**	-
General Administration - Depreciation & Amortisation expense comprises:		
Buildings	**432**	204
Plant and equipment	**458**	272
Leasehold improvements (includes lease makegood provision)	**461**	120
Intangibles	**264**	133
Right-of-use asset	**2,750**	-
	4,365	729
Included within other operating expenses are auditor's remuneration as follows:		
Audit and review of financial statements (GST Exclusive)		
- Auditor's remuneration	**177**	125
Other Services (GST Exclusive)		
- Taxation Services – (KPMG)	**14**	9
	191	134
Defined benefit superannuation expenses	**-**	19
Loss on disposal of assets		
- Property, plant and equipment	**-**	2
- Intangibles	**166**	-
Total	**166**	2

		2020 $'000	2019 $'000
3	**INCOME TAX EXPENSE**		
a.	The income tax expense comprises amounts set aside as:		
	Current tax (benefit)/expense	**(1,028)**	590
	Adjustments for previous years	**367**	-
	Deferred tax expense	**621**	125
	Total current income tax expense	**(40)**	715
b.	The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
	Profit before tax	**116**	2,192
	Prima facie tax payable on profit before income tax at 27.5% (2019:30%)	**32**	658
	Add tax effect of expenses not deductible		
	- Other non-deductible expenses	**44**	47
	- Imputation adjustments	**87**	32
	- Adjustments for previous years	**367**	-
	Subtotal	**530**	737
	Less		
	- Deductions allowed not in accounting expenses	**(24)**	(22)
	- Franking rebate	**(316)**	-
	- Changes in tax rates	**(230)**	-
	Income tax expense attributable to current year profit	**(40)**	715
c.	**Franking credits**		
	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:	**23,271**	16,707
4	**CASH AND CASH EQUIVALENTS**		
	Cash on hand	**8,212**	5,030
	Deposits at call	**7,600**	8,000
		15,812	13,030
5	**RECEIVABLES**		
	Interest receivable on deposits with other financial institutions	**1,585**	979
	Sundry debtors and settlement accounts	**2,111**	195
		3,696	1,174
6	**LOANS TO MEMBERS**		
a.	**Amount due comprises:**		
	Overdrafts and revolving credit	**25,480**	17,062
	Term Loans	**1,146,741**	717,501
	Society One Loans	**5,106**	5,045
	LeasePlus Leases	**3,244**	3,543
	Subtotal	**1,180,571**	743,151
	Less:		
	Unamortised loan origination fees and transaction costs	**(169)**	(69)
	Unearned Income	**(23)**	(128)
	Subtotal	**1,180,379**	742,954
	Less:		
	Provision for impaired loans (Note 7)	**(4,969)**	(3,167)
		1,175,410	739,787

	2020 $'000	2019 $'000
b. Credit Quality – Type of Security held		
Secured by mortgage over business assets	**5,775**	4,492
Secured by mortgage over real estate	**1,122,058**	690,381
Partly secured by goods mortgage	**17,775**	12,914
Wholly unsecured	**34,963**	35,364
TOTAL	**1,180,571**	743,151

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.

	2020 $'000	2019 $'000
Loans with security held as mortgage against real estate is on the basis of		
- loan to valuation ratio of less than 80%	**1,011,172**	612,887
- loan to valuation ratio of more than 80% but mortgage insured	**99,912**	70,390
- loan to valuation ratio of more than 80% and not mortgage insured	**10,974**	7,104
Total	**1,122,058**	690,381

c. Concentration of Loans

The loan balances outlined below represent the total loan exposure as at 30 June 2020 excluding any undrawn commitments.

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

(ii) Loans to Members are concentrated solely in Australia. Loans to members are principally in the following regions:

New South Wales	**1,064,899**	670,046
ACT	**12,193**	9,953
Victoria	**25,949**	18,028
Queensland	**59,280**	32,931
Other	**18,250**	12,193
TOTAL	**1,180,571**	743,151

(iii) Loans by purpose were:

Loans to Natural persons		
Residential loans and facilities	**1,105,011**	685,992
Personal loans and facilities	**53,913**	36,717
Society One loans	**5,106**	5,045
Lease Plus Leases	**3,244**	3,543
	1,167,274	731,297
Loans to corporations		
Business Loans and facilities	**13,297**	11,854
TOTAL	**1,180,571**	743,151

Loans to members are concentrated to individuals employed in the Government transport industry, the Government energy industry and local Government Councils which have not been amongst the sectors of the economy most severely impacted by COVID-19.

d. COVID-19 Impact on Loan Portfolio

In order to support our Members through these tough financial times, AMBL has granted repayment relief 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 has taken the form of approving borrowers to defer repayments of the loan for a period of time without incurring any enforcement action.

The increased risk arising from the likelihood of fully recovering the outstanding balance of these loans has been recognised in the methodology used to determine the provision for impairment required to be held against the loan portfolios.

Throughout the COVID-19 pandemic, AMBL has continuously reviewed the portfolio of loans that have been granted hardship relief. The majority of loans are well secured mortgage loans and assessed as unlikely to result in any future loss of recovery of loan balances. The increased risk exposure to AMBL is deemed to be in the personal loan and revolving credit facilities. The forecast probability of default has been revised in association with the financial characteristics of these portfolios accordingly. AMBL's total exposure to personal loans and revolving credit facilities stood at $46.09m as at 30 June 2020 (3.90% of total loan exposure).

Portfolio analysis of COVID-19 affected loans	**2020**			2019		
	Number of accounts	**$**	**% of Portolio**	Number of accounts	$	% of Portolio
Loan Balances with loan repayment relief approved as at 30 June 2020	**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 2019	**2,401**	**203**	**563**	**3,167**
Transfers to stage 1	**145**	**-**	**-**	**145**
Changes in credit risk	**(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**

	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	$'000	$'000	$'000	$'000
Balance at 30 June 2018	-	-	-	524
Adjustment on adoption of AASB 9	-	-	-	2,303
Balance at 1 July 2018	2,180	149	498	2,827
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Changes in credit risk	221	54	65	340
Changes in assumptions	-	-	-	-
Balance at 30 June 2019	2,401	203	563	3,167

	2020 $'000	2019 $'000
Neither past due nor impaired	**1,158,119**	732,955
Past due but not impaired	**21,511**	9,568
Impaired	**941**	628
TOTAL	**1,180,571**	743,151

Gross loans and advances which are past due but not impaired		
1-30 days	**14,509**	6,441
31- 60 days	**2,831**	726
61-90 days	**961**	565
> 90 days	**3,210**	1,835
TOTAL	**21,511**	9,567

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 total impairment of loans and advances increased from $3.17 million at 30 June 2019 to $4.97 million at 30 June 2020.

This change was primarily driven by:

- $1.88 million from the increase in loan balances related to the merger. The proportion of expected credit losses to total exposure for Endeavour Mutual Bank (0.33%), was marginally lower than Sydney Credit Union Ltd (0.38%) as at 30 June 2019 reflecting the marginally better credit quality of the underlying portfolio.
- A net decrease of $0.32 million from credit quality related changes resulting from the amortisation of loan balances over the reported period improving Stage 1 impairment provisions and a small deterioration in Stage 2 impairment provisions from an aging of loan arrears and the associated impact on probability of default (PD).
- $0.24 million from remeasurement of year-end ECL, which reflects the change in economic conditions and an additional overlay in recognition for the anticipated impact of COVID-19. This overlay is consistent with the outcomes from the base case scenario modelling that was performed by the Group with response to APRA's Financial Services Industry preparedness review over the COVID-19 outbreak. The base case scenario was modelled based on the facts and circumstances existing at 30 June 2020 and forecasts of future economic conditions and supportable information that was available at that date and includes management judgement.

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 of upside10%, base case 60% and downside 30% for key drivers of expected credit loss. The base case PDs have increased 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, commercial loans, personal loans and other loans.

Recognition and measurement

'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 20 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.

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 outstanding contractual amounts of such assets written off during the year ended 30 June 2020 was $0.745 million. The Group may seek to recover amounts it is legally owed in full, but which have been partially written off to no reasonable expectation of full recovery.

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
- Other – representing Society One 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 homogeneous.

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.

		2020 $'000	2019 $'000
a.	**Impaired loans written off**		
	Amounts written off against the provision for impaired loans	**176**	317
	Total bad debts	**176**	317
	Bad debts recovered in the period	**147**	61
	Total bad debts recovered	**147**	61

8 RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

- Deposits with banks	**122,015**	14,413
- Deposits with other financial institutions	**49,800**	23,720
Total receivables due from other financial institutions	**171,815**	38,133

9 INVESTMENT AND EQUITY SECURITIES

Investment securities measured at amortised cost		
- Negotiable certificates of deposit	**124,263**	69,822
- Floating rate notes	**121,924**	51,756
- Subordinated Debt	**500**	-
Total value of investment securities	**246,687**	121,578
Equity investment securities designated as at FVOCI		
- Cuscal Limited (refer note 29)	**6,558**	3,093
- TransAction Solutions Limited (refer note 29)	**4,053**	1,942
- Shared Services Partners Pty Limited	**40**	40
Total value of equity securities	**10,651**	5,075
Total value of investment and equity securities	**257,338**	126,653

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 29. 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 $1.14 per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

b. TransAction Solutions Limited (TAS)

This company supplies services to the member organisations which are primarily mutual banks and credit unions. The Group holds shares in TAS to enable the Group to receive essential core banking IT services – refer also to Note 29. 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 $8.02 per share is a reasonable approximation of fair value.

The Group is not intending to dispose of these shares.

10 PROPERTY, PLANT AND EQUIPMENT

	2020 $'000	2019 $'000
a. Fixed Assets		
Other Non-Current Asset Held		
Land and Buildings at fair value	**20,830**	9,636
Less: Provision for depreciation	**(530)**	(52)
Total Land & Buildings	**20,300**	9,584
Plant and equipment - at cost	**3,724**	2,022
Less: Provision for depreciation	**(2,884)**	(1,422)
Total Plant & Equipment	**840**	600
Capitalised Leasehold Improvements at cost	**4,718**	2,471
Less: Provision for amortisation	**(3,622)**	(2,055)
	1,096	416
Lease Makegood Asset	**501**	425
Less: Provision for amortisation	**(366)**	(278)
	135	147
Total Leasehold Improvements and Makegood	**1,231**	563
TOTAL PROPERTY, PLANT AND EQUIPMENT	**22,371**	10,747
b. Investment Properties		
Buildings – at Fair Value	**2,560**	2,560
Total Investment Properties	**2,560**	2,560
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY	**24,931**	13,307

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
Building Unit 602, 155 Castlereagh Street, SYDNEY NSW	30/06/18	$1,080,000	Alexandra McCann AAPI / Certified Practising Valuer API No. 83237
Building Lot 53/5 Aird Street, Parramatta NSW	30/06/18	$730,000	Haden Nolan AAPI / Certified Practising Valuer AAPI No. 69851
Building Lot 54/5 Aird Street, Parramatta NSW	30/06/18	$750,000	Haden Nolan AAPI / Certified Practising Valuer AAPI No. 69851
TOTALS		$2,560,000	

Independent market appraisals and market data was used to determine the fair value as at 30 June 2020.

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

	2020				2019			
	Property	**Plant & Equip**	**Leasehold**	**Total**	Property	Plant & Equip	Leasehold	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Opening balance	**12,144**	**600**	**563**	**13,307**	5,891	457	668	7,016
Revaluation Adjustment	**-**	**-**	**-**	**-**	6,457	-	-	6,457
Purchases in the year	**94**	**234**	**896**	**1,224**	-	429	15	444
Transfer of Business	**11,054**	**476**	**233**	**11,763**	-	-	-	-
Total	**23,292**	**1,310**	**1,692**	**26,294**	12,348	886	683	13,917
Less								
Assets Disposed	**-**	**(12)**	**-**	**(12)**	-	(14)	-	(14)
Depreciation charge	**(432)**	**(458)**	**(461)**	**(1,351)**	(204)	(272)	(120)	(596)
Balance at the end of the year	**22,860**	**840**	**1,231**	**24,931**	12,144	600	563	13,307

c. Movement in the asset balances during the year were:

	Right-of-use asset $'000
Balance 1 July 2019	**-**
Changes on initial application of AASB 16	**6,280**
Amended balance 1 July 2019	**6,280**
Additions (Transfer of Business)	**3,732**
Modification/Revaluations	**(1,392)**
Depreciation	**(2,750)**
Balance 30 June 2020	**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. Variable lease payments which do not depend on an index are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment. The Group has no short-term leases and leases of low-value underlying assets.

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.

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

Right-of-use asset class	**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	0-5 years	2 years	7	0	0	0

d. Lease Liabilities

	2020 $'000
Current	**2,399**
Non-current	**3,805**
	6,204
Balance 1 July 2019	**-**
Changes on initial application of AASB 16	**6,280**
Amended balance 1 July 2019	**6,280**
Additions (Transfer of Business)	**3,679**
Payments for leases	**(2,450)**
Interest expense	**87**
Modifications	**(1,392)**
Balance 30 June 2020	**6,204**

The total cash outflow for leases in 2020 was $2,450,029.

e. Previously the operating leases which are in respect of property used for providing branch services to Members were classified as operating leases under IAS 17. As at 30 June 2019, the future minimum lease payments under non –cancellable operating leases were as follows:

	2019 $'000
Lease expense commitments for operating leases on property occupied by the Group	
Not later than one year	1,726
Later than one year but not later than five years	4,463
Over five years	528
	6,717

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.

There are no restrictions imposed on the Group so as to limit the ability to undertake further leases, borrow funds or issue dividends (although these are subject to restrictions in the constitution).

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; and
- 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.

Company 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. However, for leases of property, the company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 payments 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.

Company 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.

	2020 $'000	2019 $'000

11 TAXATION ASSETS

Income Tax Refundable	**2,361**	572
GST Recoverable	**196**	160
	2,557	732
Current income tax refundable comprises:		
Balance - previous year	**(572)**	822
Prior year adjustment	**(229)**	-
Transfer of Business	**(238)**	-
Less: Payments in current year	**404**	(542)
(Under) / over statement in prior year	**(635)**	280
Provision for tax for current year	**(1,028)**	590
Less: Instalments paid in current year	**(1,333)**	(1,162)
Balance/(refund due) – current year	**(2,361)**	(572)

12 INTANGIBLE ASSETS

Computer software	**3,370**	1,573
Less provision for amortisation	**(2,711)**	(968)
	659	605
Movement in the carrying amount of intangible assets during the year were:		
Opening balance	**605**	418
Purchases	**234**	334
Transfer of business	**250**	-
Less		
Amortisation charge	**(264)**	(134)
Assets Disposed	**(166)**	(13)
Balance at the end of the year	**659**	605

13 DEPOSITS FROM MEMBERS

Member Deposits		
- at call	**946,905**	490,047
- term	**511,103**	335,299
- ADI's	**-**	8,000
Member Withdrawable Shares	**230**	237
TOTAL DEPOSITS & SHARES	**1,458,238**	833,583

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

New South Wales	**1,394,064**	800,793
ACT	**6,549**	4,521
Victoria	**16,164**	6,255
Queensland	**25,704**	15,147
Other	**15,757**	6,867
Total per Balance Sheet	**1,458,238**	833,583

A significant proportion of members are employed in the government transport industry government and local Government Councils.

	2020 $'000	2019 $'000

14 CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

Annual Leave	**1,619**	1,168
Creditors and accruals	**4,579**	3,629
Interest payable on deposits	**2,383**	2,389
Accrual for GST payable	**59**	78
Sundry creditors	**1,709**	1,154
TOTAL AMOUNTS PAYABLE	**10,349**	8,418

15 TAXATION LIABILITIES

Deferred tax liability	**(5,796)**	(3,152)
Deferred tax asset	**3,376**	2,754
Total deferred tax liabilities	**(2,420)**	(398)
Deferred tax asset comprises:		
Accrued expenses not deductible until incurred	**97**	370
Provisions for impairment on loans	**1,366**	949
Provisions for employee benefits	**1,662**	1,435
Provisions for Make good	**101**	-
Provision for card and internet fraud	**28**	-
Depreciation on fixed assets	**(21)**	-
Deferred merger costs	**55**	-
Unamortised loans origination and transaction fees	**46**	-
TAS share scrip rollover	**(18)**	-
Deferred Income	**60**	-
Total	**3,376**	2,754
Deferred tax liability		
Revaluation of assets at fair value through OCI	**(5,796)**	(3,152)
Total	**(5,796)**	(3,152)
Net tax (liability) / asset	**(2,420)**	(398)

16 PROVISIONS

Long service leave	**3,979**	2,893
Lease make good of premises	**801**	425
Provisions - staff entitlements	**165**	-
Provisions - other	**547**	899
TOTAL PROVISIONS	**5,492**	4,217

17 CAPITAL RESERVE ACCOUNT

Balance at the beginning of the year	**735**	727
Transfer from retained earnings on share redemptions	**7**	8
Transfer of Business	**694**	-
Balance at the end of year	**1,436**	735

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.

	2020 $'000	2019 $'000

18 OTHER RESERVES

Asset revaluation reserve	**9,030**	7,976
General reserve	**14,041**	14,041
TOTAL OTHER RESERVES	**23,071**	22,017

Movements in Reserves

i. Asset Revaluation Reserve

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

Balance at the beginning of the year	**7,976**	2,458
Increase in building valuation and equity investments	**1,054**	6,730
Less: Asset revaluations realised	**-**	(1,212)
Balance at the end of year	**9,030**	7,976

The Asset Revaluation Reserve as at 30 June 2020 consists of $3,103k related to revaluations of equity investments and $5,927k related to building revaluations.

ii. General Reserve

Balance at the beginning of the year	**14,041**	12,829
Transfer to/from retained earnings	**-**	1,212
Balance at the end of year	**14,041**	14,041

19 TRANSFER OF BUSINESS RESERVE

Balance at the beginning of the year	**-**	-
Transfer of Business from Endeavour Mutual Bank	**86,648**	-
Balance at the end of the year	**86,648**	-

20 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 risk management 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 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.

The Board should ensure that its decisions and actions do not pose an unacceptable prudential risk to the institution by way of monitoring the compliance with prudential and statutory requirements to which the Group is obliged to comply.

Board Risk Committee (BRC): This is a key body in the control of risk. It comprises a minimum of 3 Directors. Senior 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 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 monthly, 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
- 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. The Internal Audit Manager 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 changes in interest rates and volatilities will have an adverse effect on the Group's financial condition or results. The Group is not exposed to currency risk, and other significant price risk. The Group does not trade in financial instruments and has not undertaken any hedging at this time. The Group is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO Committee, 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

The Group is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. The interest rate risk on the banking book is measured and reported to the ALCO, the Risk Committee and the Board, on a monthly basis. In the banking book the most common risk the Group faces arises from fixed rate assets and liabilities. This exposes the Group to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 23. The table set out at Note 23 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of Managing Risk

The policy of the Group to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive.

The Group's exposure to market risk is measured and monitored using the Value-at-Risk (VaR) methodology of estimating potential losses. VaR is a technique which estimates the potential change in the value of the financial assets and liabilities that could occur on risk positions taken due to movements in market rates and prices over a specified time period to a given level of confidence. VaR, as set out in the table below, has been calculated using historical simulations, using movements in market rates and prices, a 99 per cent confidence level and taking into account historical correlations between different markets and rates.

Any potential exposures in excess of the exposure limits stated above are rectified through targeted fixed rate interest products available through investment assets, and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of the Group permits the undertaking of derivatives to reduce interest rate risks, but no such derivatives have been undertaken to date. The Group's exposure to interest rate risk is set out in Note 23 which details the contractual interest change profile.

Based on the positions as at 30 June, the impact on the net economic value as a percentage of the Capital Base, calculated based on a Value-at-Risk approach over a 1 year time horizon / 20 day holding period at a 99 per cent confidence level, would be as follows:

30th June 2020	30th June 2019
0.06%	0.13%

The Group is therefore confident that it will not incur loss on its non-trading book over a 20 day holding period of more than the amount calculated above, based on the VaR model used.

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

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

B. LIQUIDITY RISK

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or Member withdrawal demands. It is the policy of the board of Directors that the Group maintains adequate cash reserves and committed credit facilities so as to meet the Member withdrawal demands when requested.

The Group manages liquidity risk by:

- Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
- Monitoring the maturity profiles of financial assets and liabilities;
- Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- Monitoring the prudential liquidity ratio daily.

The Group has a longstanding arrangement with the industry liquidity support organisation, Credit Union Financial Support Services (CUFSS), which can access industry funds to provide support to the Group should it be necessary at short notice. 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 committed funding availability, also known as the Term Funding Facility (TFF), to qualifying ADIs. The initial TFF allowance allocated to the Group, of which can be drawn before 30th September, is $36,087,906. As at 30 June 2020, there is no outstanding drawn amount from the TFF.

Under the APRA Prudential Standards, the Group is required to maintain a minimum of 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours (Minimum Liquidity Holding Ratio –MLH). The Group policy is to maintain a minimum of 13% of funds as liquid assets, to ensure that the Group maintains at all times adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, borrowing facilities or other liquidity support facilities available. Note 26 details the borrowing facilities as at balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 21. The ratio of liquid funds over the past year is set out below:

	2020	2019
Minimum Liquidity Holdings	**$319,751,780**	$146,714,207
As at 30 June	**19.94%**	16.16%
Average for the year	**16.77%**	15.65%
Minimum during the year	**14.29%**	14.57%
Maximum during the year	**20.97%**	17.27%
Total Liquid Investments	**$399,394,382**	$162,816,390
As at 30 June	**24.91%**	17.94%
Average for the year	**22.94%**	19.79%
Minimum during the year	**17.05%**	17.00%
Maximum during the year	**28.71%**	21.79%

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:

	2020 Carrying value $'000	2020 Commitments $'000	2020 Maximum exposure $'000	2019 Carrying value $'000	2019 Commitments $'000	2019 Maximum exposure $'000
Mortgage	**1,105,011**	**112,447**	**1,217,458**	685,992	59,389	745,381
Personal	**37,765**	**6,772**	**44,537**	29,445	1,273	30,718
Revolving Credit	**24,498**	**59,011**	**83,509**	15,860	29,944	45,804
Total to natural persons	**1,167,274**	**178,230**	**1,345,504**	731,297	90,606	821,903
Corporate borrowers	**13,297**	**-**	**13,297**	11,854	-	11,854
Total	**1,180,571**	**178,230**	**1,358,801**	743,151	90,606	833,757

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the 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 25.

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. 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 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%) 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

Credit risk is the risk that the issuer of a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group.

The Bank's policy stipulates that liquid funds may only be invested with ADI counterparties with investment grade credit ratings, 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.

Under the Group Industry's liquidity support scheme, at least 3.0% of the total assets must be invested in Cuscal, or another approved ADI to allow the scheme to have adequate resources to meet its obligations if needed.

The Board has approved that the majority of its investments will generally be with financial institutions with a rating not lower than BBB-. However, the Board permits investments with other unrated mutual ADI counterparties, subject to a maximum limit of 15% of the Group's capital base per any single unrated mutual ADI counterparty, or 60% of the capital base in total for the aggregated exposures towards unrated mutual ADI counterparties.

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 2020				
Investments on ADI's and Overseas Banks with -	**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**	**-**	**-**

			30 June 2019		
Investments on ADI's and Overseas Banks with -	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	12,034	29,244	41,278	-	-
Grade 2 – rated below AA- to A-	-	68,784	68,784	-	-
Grade 3 – rated below A- to BBB-	-	47,059	47,059	-	-
Unrated Approved Deposit-taking institutions	7,514	8,071	15,585	-	-
Total	19,548	153,158	172,706	-	-

(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 issued at 30 June 2020 amounted to $1,564,048 (30 June 2019 $1,031,470).

(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 staff;
- 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 staff.

(i) Fraud

Fraud can arise from member card PINS and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems 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. Fraud losses have arisen from card skimming, internet password theft and false loan applications.

(ii) IT systems

The Group has outsourced the IT systems management to TAS which is owned by a group of mutuals. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Group by the industry body Cuscal to service the settlements with other financial institutions for direct entry, Visa cards, and BPay etc.

The worst case scenario for IT systems identified would be the failure of the Group's core banking system and the failure of IT network 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 vast majority of Tier 1 Capital comprises

- Retained profits
- Realised reserves
- Asset Revaluation Reserve on Properties.

Additional Tier 1 capital

This is a new classification of capital and includes Preference share capital approved by APRA and qualifies as Tier 1 capital.

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 generally comprises:

- Tier 2 capital instruments - subordinated loan.
- General Reserve for Credit Losses.

Capital in the Group is made up as follows:

	2020 **$'000**	2019 $'000
Tier 1 Common Equity		
Capital reserve account	**1,436**	735
Asset revaluation reserves on property	**9,030**	7,976
General reserves	**14,041**	14,041
Retained earnings	**151,583**	63,890
Total Fundamental Tier 1 capital	**176,090**	86,642
Less prescribed deductions	**(11,856)**	(5,828)
Net Tier 1 Common Equity	**164,234**	80,814
Tier 2		
Reserve for credit losses	**3,809**	2,401
	3,809	2,401
Less prescribed deductions	**-**	-
NET TIER 2 CAPITAL	**3,809**	2,401
TOTAL CAPITAL	**168,043**	83,215

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:

2020	**2019**	**2018**	**2017**	**2016**
21.53%	17.36%	16.90%	17.14%	17.47%

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%. 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.

21 MATURITY PROFILE OF FINANCIAL LIABILITIES

Monetary liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary liabilities held, will mature and be eligible for renegotiation or withdrawal. Financial 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.

2020	**Book Value**	**Within 1 month Total**	**1-3 months**	**3-12 months**	**1-5 years**	**After 5 years**	**No Maturity**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL LIABILITIES								
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**	**8,730**	**-**	**-**	**-**	**-**	**-**	**8,730**
On statement of financial position	**1,466,968**	**1,048,140**	**188,572**	**217,201**	**15,047**	**-**	**230**	**1,469,190**
Undrawn commitments Note 25	**-**	**-**	**-**	**-**	**-**	**-**	**178,230**	**178,230**
Total financial liabilities	**1,466,968**	**1,048,140**	**188,572**	**217,201**	**15,047**	**-**	**178,460**	**1,647,420**

2019	Book Value	Within 1 month Total	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL LIABILITIES								
Deposits from other ADI's	8,000	3,001	5,015	-	-	-	-	8,016
Deposits from Members – at call	490,272	490,035	-	-	-	-	237	490,272
Deposits from Members – term	335,311	55,303	99,062	178,813	4,761	-	-	337,939
Creditors	7,250	7,250	-	-	-	-	-	7,250
On statement of financial position	840,833	555,589	104,077	178,813	4,761	-	237	843,477
Undrawn commitments Note 25	-	-	-	-	-	-	91,637	91,637
Total financial liabilities	840,833	555,589	104,077	178,813	4,761	-	91,874	935,114

22 CURRENT AND NON CURRENT PROFILE

The table below represents the maturity profile of the Group's financial liabilities. The contractual arrangements best represents the member deposits within 12 months. While 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.

	2020			2019		
	Within 12 months	**After 12 months**	**Total**	Within 12 months	After 12 months	Total
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
FINANCIAL LIABILITIES						
Deposits from other ADI's	**-**	**-**	**-**	8,000	-	8,000
Deposits from Members – at call	**946,905**	**230**	**947,135**	490,047	237	490,284
Deposits from Members – term	**496,410**	**14,693**	**511,103**	330,725	4,574	335,299
Creditors	**8,730**	**-**	**8,730**	7,250	-	7,250
Total financial liabilities	**1,452,045**	**14,923**	**1,466,968**	836,022	4,811	840,833

23 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 at call). 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.

2020	Within 1 month Total	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	7,600	-	-	-	8,212	15,812
Due from other Financial Institutions and Investment Securities	100,272	146,980	134,745	-	-	381,997
Receivables	-	-	-	-	3,696	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
Society one Loans*	367	22	413	4,304	-	5,106
LeasePlus Leases*	26	130	675	2,413	-	3,244
Loans to Members – other*	12,814	-	457	26	-	13,297
Equity Investment Securities	-	-	-	-	10,651	10,651
Total financial assets	930,142	168,747	262,469	208,810	22,559	1,592,727

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

2020	Within 1 month Total	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL LIABILITIES						
Deposits from						
Members	1,039,355	188,139	215,821	14,693	230	1,458,238
Creditors	-	-	-	-	8,730	8,730
On statement of financial position	1,039,355	188,139	215,821	14,693	8,960	1,466,968
Undrawn loan commitments Note 25	-	-	-	-	178,230	178,230
Total financial liabilities	1,039,355	188,139	215,821	14,693	187,190	1,645,198

2019	Within 1 month Total	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Cash and cash equivalents	8,000	-	-	-	5,030	13,030
Due from other Financial Institutions and Investment Securities	13,029	33,968	50,630	51,181	-	148,808
Receivables						
Loans to Members – mortgage*	466,252	7,442	73,748	138,560	-	686,002
Loans to Members – personal*	34,798	-	2	1,906		36,706
Society One Loans*	5,045	-	-	-	-	5,045
LeasePlus Leases*	3,543	-	-	-	-	3,543
Loans to Members – other*	10,317	-	1,004	534	-	11,855
Equity Investment Securities	-	-	-	-	5,073	5,073
Total financial assets	540,984	41,410	125,384	192,181	10,103	910,062

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

2019	Within 1 month Total	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	3,000	5,000	-	-	-	8,000
Members	550,296	93,659	176,817	4,574	237	825,583
Creditors	-	-	-	-	7,250	7,250
On statement of financial position	553,296	98,659	176,817	4,574	7,487	840,833
Undrawn loan commitments Note 25	-	-	-	-	91,637	91,637
Total financial liabilities	553,296	98,659	176,817	4,574	99,124	932,470

24 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

AASB 13 requires for assets and liabilities measured at fair value in the balance sheet to disclose the fair value hierarchy. Where the following levels can be differentiated:

- 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 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.

		2020	2019
		$'000	$'000
25	**FINANCIAL COMMITMENTS**		
a.	**Outstanding Loan commitments**		
	The loans approved but not funded	**10,121**	16,112
b.	**Loan Redraw facilities**		
	The loan redraw facilities available	**109,098**	45,581
c.	**Undrawn Loan Facilities**		
	Loan facilities available to Members for overdrafts, credit cards and line of credit loans are as follows:		
	Total value of facilities approved	**84,490**	47,006
	Less: Amount advanced	**(25,479)**	(17,062)
	Net undrawn value	**59,011**	29,944
	Total financial commitments	**178,230**	91,637

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

		2020	2019
d.	**Computer Bureau Expense Commitments**	**$'000**	$'000
	As referred to in Note 29, the Group has a management contract with TransAction Solutions 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:		
	Not later than one year	**1,534**	570
	Later than 1 year but not 2 years	**1,534**	333
	Later than 2 years but not 5 years	**1,534**	-
	Later than 5 years	**-**	-
		4,602	903
e.	**Computer commitments**		
	The costs committed under contracts with Ultradata (UDA) are as follows:		
	Not later than one year	**1,094**	684
	Later than 1 year but not 2 years	**1,094**	684
	Later than 2 years but not 5 years	**3,281**	456
	Later than 5 years	**1,595**	-
		7,064	1,824
f.	**Computer Capital commitments**		
	Not later than one year	**240**	-

26 STANDBY BORROWING FACILITIES

The Group has a borrowing facility with Cuscal of:

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

2019	Gross	Current Borrowing	Net Available
	$'000	$'000	$'000
Overdraft Facility	2,000	-	2,000
TOTAL STANDBY BORROWING FACILITIES	2,000	-	2,000

The Cuscal overdraft facility is in place to primarily accommodate for any unexpected member's 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.

27 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 has issued guarantees and Transaction Negotiation Authorities on behalf of Members for the purpose of lease and trade credit facilities. The amounts of the guarantees are in total $1,564,048 (30 June 2019: $1,031,470). The guarantee is payable only on the Member defaulting on the contractual repayments to the Lessor / supplier. The guarantees are generally fully secured against registered first mortgages or Term Deposit funds lodged.

28 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 (2019: 8) and 6 (2019: 5) members of executive management responsible for the day to day financial and operational management of the Group and the Internal Audit Manager. Remuneration during the year included 5 additional Executive Managers following the merger with Endeavour Mutual Bank. During the year 5 Executive Managers took a redundancy. Remuneration during the year 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:

		2020 Directors & Other KMP $	2019 Directors & Other KMP $
(a)	short-term employee benefits	**1,934,239**	1,244,082
(b)	post-employment benefits - Superannuation contributions	**274,827**	196,637
(c)	other long-term benefits – net increases in Long Service leave and Annual Leave and Personal leave provision	**232,225**	58,739
(d)	termination benefits	**3,409,338**	-
(e)	share-based payment	**-**	-
	Total	**5,850,629**	1,499,458

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.

b. Loans to Directors and other KMP

		2020 $'000	2019 $'000
(i)	The aggregate value of loans and revolving credit facilities to KMP	**1,014**	1,346
(ii)	The total value of revolving credit facilities to KMP	**243**	66
	Less amounts drawn down and included in (i)	**(4)**	(11)
	Net balance available	**239**	55
(iii)	During the year the aggregate value of loans disbursed to Directors and other KMP amounted to:		
	Revolving credit facilities	**102**	66
	Term Loans	**81**	1,347
		183	1,413
(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 revenue earned on Loans and revolving credit facilities to KMP	**54**	45

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 KMP who are not Directors. There are no loans which are impaired in relation to the loan balances with Director's or other KMP's.

KMP 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 28(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 KMPs, or their close family members, are an interested party.

	2020	2019
	$'000	$'000
Total value Term and at call Deposits from KMP	**1,075**	1,009
Total Interest paid on deposits to KMP	**12**	15

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

29 OUTSOURCING ARRANGEMENTS

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

a. Cuscal

Cuscal is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act. This entity:

(i) provides the license rights to Visa Card in Australia and facilitates settlement arrangements with Bankers for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by Members.

(ii) provides treasury and money market facilities to the Group.

(iii) operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM suppliers to the Group's EDP Systems.

b. Ultradata Australia Pty Limited

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

c. TransAction Solutions Limited (TAS)

This entity operates the computer facility on behalf of the Group. The Group has a management contract with the company to supply computer support staff and services to meet the day to day needs of the Group and compliance with the relevant Prudential Standards.

30 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 the year) 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.

31 PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ended 30 June 2020 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 2020.

	2020 $'000	2019 $'000
Result of parent entity		
Profit after income tax	**156**	1,477
Other comprehensive income, net of income tax	**1,054**	4,797
Total comprehensive income for the period	**1,210**	6,274
Financial position of parent entity at year end		
Total assets	**1,658,624**	933,985
Total liabilities	**1,482,703**	846,616
Total equity of the parent entity comprising of:		
Share reserve account	**1,436**	735
Asset revaluation reserve	**9,030**	7,976
General reserve	**14,041**	14,041
Transfer of business reserve	**86,648**	-
Retained earnings	**64,766**	64,617
Total equity	**175,921**	87,369

32 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 purpose 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.

	2020 $'000	2019 $'000
Balance Sheet values - Loans and receivables		
SCU Trust No. 1 - Series 1	**483,135**	162,577
Off balance sheet commitments (redraws)		
Financial commitments (Net)		
SCU Trust No. 1 - Series 1	**50,742**	16,681

	2020 $'000	2019 $'000

33 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:

Cash on hand	**8,212**	1,013
Deposits at call	**7,600**	12,017
Total Cash	**15,812**	13,030

b. Reconciliation of Cash from Operations to Accounting Profit

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

Profit after income tax	**156**	1,477
Add (Deduct) :		
Bad Debts written off expenses and decrease in Provision for Impairment	**665**	657
Unearned Income	**(105)**	(7)
Amortised Fees	**168**	57
Depreciation expense & amortisation	**4,137**	729
Profit on sale of assets	**(23)**	(11)
Loss on sale of assets	**166**	-
Provision for staff leave	**(1,147)**	106
Provision - other	**23**	-
Accrued expenses	**(1,598)**	39
Interest payable	**(1,452)**	427
Prepayments	**355**	12
GST Recoverable	**62**	12
Interest receivable	**89**	581
Sundry Debtor and other receivables	**48**	-
GST payable	**(44)**	33
Taxation assets & liabilities	**(1,161)**	(882)
Movement in loans balances	**31,177**	(59,605)
Movement in other loans	**4,717**	(2,704)
Movement in deposit balances	**67,114**	63,594
Movement in liquid investment balances	**(67,407)**	15,587
Net cash from operating activities	**35,940**	20,102

34 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

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The impact of the COVID-19 pandemic is ongoing and continues to impact both the global and Australian economies. Subsequent to 30 June 2020, the Group experienced a significant reduction in loan demand. The Group continues to manage the 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 2020 remains appropriate. The Group is continuing to monitor the potential impact of COVID-19 on our members, operations and performance. The situation is dependent on responses imposed by the Australian Government and other countries, including quarantine, travel restrictions and any economic stimulus measures implemented.

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.

36 BUSINESS COMBINATION

On 1st October 2019, Endeavour Mutual Bank transferred its assets and liabilities to the Group pursuant to a merger approved by APRA under the Financial Sector (Transfer of Business) Act 1999.

The primary reason for the transfer was detailed in the members' special general meeting information pack which was to consolidate the mutual interests of both Mutual Banks into an organisation better capable of withstanding the economic pressures and regulatory requirements.

On transfer the fair value of net assets and liabilities acquired is equal to the equity acquired and therefore there is no goodwill.

	$
At acquisition	
The fair value of assets excluding cash and cash equivalents was	651,847,604
The amount of cash and cash equivalents was	5,596,105
Total assets	657,443,709

Other prescribed disclosures are as follows:

(a) There are no contingent considerations or indemnification assets.

(b) The amounts recognised as of the acquisition date 1st October 2019 for each major class of assets acquired and liabilities assumed, are as follows:

Endeavour Mutual Bank	Gross Contractual Amounts Receivable $	Fair Value $	Provision for Impairment $	Net Amounts Received $
ASSETS				
Cash and cash equivalents	5,596,105	5,596,105	-	5,596,105
Receivables due from other financial institutions	66,275,829	66,275,829	-	66,275,829
Investment securities	90,001,635	90,001,635	-	90,001,635
Loans and advances to members	474,125,045	474,125,045	(1,882,268)	472,242,777
Receivables	2,986,410	2,986,410	-	2,986,410
Fixed Assets	11,763,110	11,763,110	-	11,763,110
Equity Investments	4,452,451	4,452,451	-	4,452,451
Right-of-use assets	3,732,223	3,732,223	-	3,732,223
Intangible Assets	248,648	248,648	-	248,648
Taxation Assets	144,521	144,521	-	144,521
Total Assets	659,325,977	659,325,977	(1,882,268)	657,443,709
LIABILITIES				
Deposits from members	557,540,651	557,540,651	-	557,540,651
Lease Liability	3,679,445	3,679,445	-	3,679,445
Staff Leave Provisions	2,138,859	2,138,859	-	2,138,859
Staff redundancy Provisions	323,204	323,204	-	323,204
Creditors and Accruals	4,615,660	4,615,660	-	4,615,660
Taxation Liabilities	1,370,732	1,370,732	-	1,370,732
Other provisions	433,140	433,140	-	433,140
Total Liabilities	570,101,691	570,101,691	-	570,101,691
Net Assets	89,224,286	89,224,286	(1,882,268)	87,342,018

(c) Contingent liabilities – there are no contingent liabilities.

(d) Cost of the acquisition expensed comprised:

Endeavour Mutual Bank	$
Description	
Acquisition related costs recognised in "Other Operating Expenses" on the Statement of Comprehensive Income	624,863
Total direct costs	624,863

(e) There are no costs of the acquisition incurred but not expensed.

(f) Post acquisition performance

As prescribed by the Corporations Act regulations for mutual transfers of business, the transferred revenue and expenses of the former Endeavour Mutual Bank business, have been absorbed into the revenue and expenses of Australian Mutual Bank as a whole and are not separated as a separate business unit. That was done to allow the economies of scale to maximise the benefits to members and to recognise that the assets and liabilities acquired are not separable from the combined entity.

Accordingly, the amounts of revenue and profit or loss associated with the Endeavour Mutual Bank business since the acquisition date, are not separately reportable.