2019
Annual Report

regional australia bank

DIRECTORS

Graham Olrich
Michael Fenech
Neville Parsons
Kate James
Allan Gordon
Geoffrey Thompson
Brian Goodall
David Johnson
Dr Alison Sheridan

CHIEF EXECUTIVE OFFICER

Kevin Dupé

COMPANY SECRETARY

David Munday

REGISTERED OFFICE

Technology Park
Madgwick Drive
ARMIDALE NSW 2350
132 067

SOLICITORS

Wallmans Lawyers
400 King William Street
ADELAIDE SA 5000

APJ Law
126/128 Beardy Street
ARMIDALE NSW 2350

BANKERS

Australian Settlements LTD (ASL)
16 Thesiger Crt
DEAKIN ACT 2600

Australian and New Zealand Banking
Group Limited (ANZ)
Martin Place
SYDNEY NSW 2000

AUDITORS

KPMG
International Tower 3
300 Barangaroo Avenue
SYDNEY NSW 2000

regional australia bank

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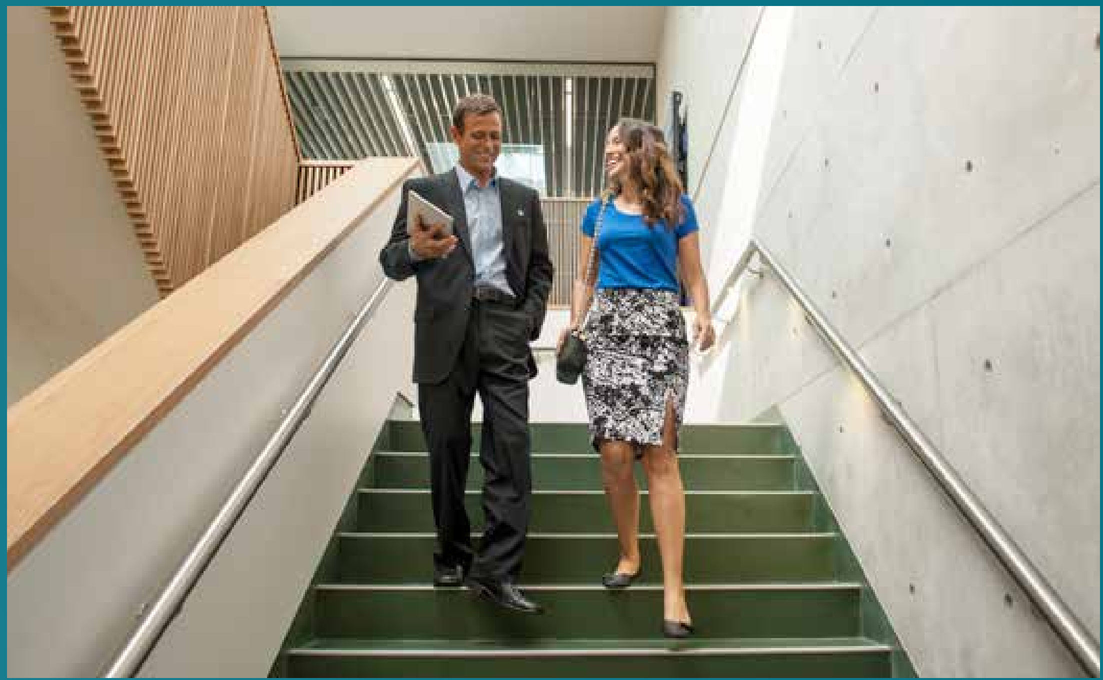


Regional Australia Bank is a customer owned bank that has been helping regional Australians achieve their lifestyle goals for over 50 years. We have a reputation for being flexible, personable and being able to make the complex simple. With our roots in regional NSW and head office located in Armidale, Regional Australia Bank has grown to become one of the premier banking alternatives to the 'Big Four' banks.

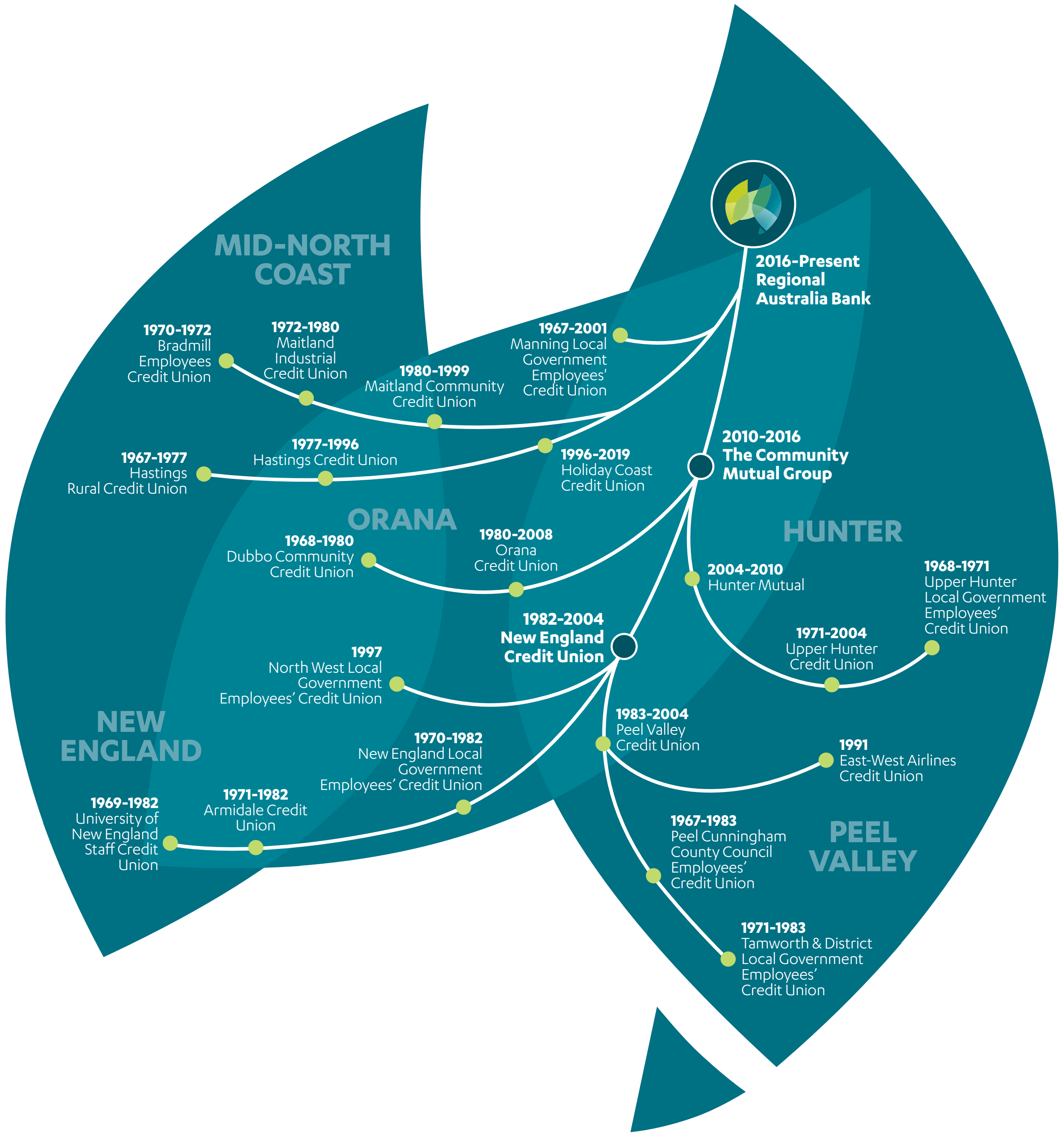
Unlike the 'retail' approach taken by many competing institutions, Regional Australia Bank continues to add value to our customers by recognising everyone's circumstances are different. This means we can provide personalised financial solutions, working with our customers to save them time, money and effort.

Being owned by regional Australians means that the people at Regional Australia Bank understand the connectivity we have between each other, our communities and the environment. We recognise the role a responsible financial institution can play in achieving and maintaining our regional way of life.

Our growing base of customers take pride in knowing we maximise our contribution to deliver social and environmental returns to our regional communities at every possible opportunity.

Our vision is that Regional Australia Bank will define what it means to be at the heart of our community. We celebrate being regional and continually demonstrate what the added value of being more connected to each other can bring. The success of our business will be determined by how well we extend compassion and share our passion to be the champions for regional prosperity. Being connected with regional Australia and its people is, without doubt, the most compelling and inspiring part of our brand.

our **history**



"Regional Australia Bank is a **customer owned** bank that has been helping regional Australians achieve their lifestyle goals for over 50 years. We have grown to be one of the premier banking alternatives to the 'big four' banks."

chairman's report

Late last year, I announced the commencement of merger discussions with Holiday Coast Credit Union. Since that time, the Boards, Management and staff have undertaken a mountain of work to ensure that this merger would generate value for members. After receiving approval from the Australian Prudential Regulation Authority (APRA) and overwhelming support from members at Special General Meetings held in Armidale and Wauchope in May of this year, it set the wheels in motion for the legal merger to take effect from July 1st, 2019. This was a great result.

As I prepare this report, staff members from both organisations continue to bring the two institutions together, integrating systems and operating under one unified brand, Regional Australia Bank. Together, our organisations are much stronger than if we remain apart, being far better placed to navigate the current regulatory and competitive environment. This strength is a key element in being able to provide more benefits to our members and to realise our strategic objectives.

In terms of asset size, Regional Australia Bank will now rank in the top 15 of more than 60 institutions in the customer owned banking sector. While we certainly don't aim to be the biggest, we do aim to be the best and we are getting better at leveraging what scale we have. This means we can deliver on our commitment to provide things like: fee relief, competitive interest rates as well as digital payments and services to members a lot sooner.

Despite all of the potential future benefits for the membership and organisation, the merger has not been without its initial set up costs. These additional, one-off costs have contributed to a reduced net profit figure this year, down 3.5% to $8.9 million. Merger costs in combination with the loss of other income streams due to changes in the industry were the main drivers. ATM fee income continued to decrease after the Big Four Banks removed ATM charges, while the insurance industry experienced a lot of change post the Royal Commission into Financial Services.

Pleasingly, underlying profit continues to remain strong with revenue growth again driving the business, reaching another record year of $47.8 million, up $1.9 million on last year's record breaking result. This revenue growth has managed to temper the effect of the reductions in other income streams and the one-off merger costs, with Cost to Income rising slightly to a respectable 73.8%. While up 2% on last year, Cost to Income is anticipated to remain at these levels, at least over the next year as we begin to realise the benefits of the merger on our operating expenses. Loan growth remained very strong at 11.9% with home lending once again the major contributor. As with the last few years, these loan growth figures remain comparatively strong at two and a half times the average growth for the industry. With a declining interest rate environment and a regulatory landscape that sees the availability of credit tightening, these figures show Regional Australia

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Bank continuing to stand out as a strong performer in the sector and a beacon for the customer owned banking proposition.

To this end, our own value proposition for Regional Australia is gaining traction. Banking in our region continues to be built on the relationships we maintain with our customers and the connections we have with their communities. Having a business model and a brand working in tandem to differentiate us is supporting us in opening doors to new business that may have otherwise been closed.

The Community Partnership Program (CPP) is fast becoming one of Regional Australia Bank's greatest brand assets. The Program's ability to localise and reach grass roots community organisations within our towns and cities is unsurpassed. Increasingly, this Program is seen by many in our region as a unique offering, empowering people and their communities. This perception at a time where some banks' reputations (post Royal Commission) are at an all-time low is helping to reinforce our point of difference. This year, donations across the region reached to over $1.2million and were ushered in at a series of events around the region under the campaign of 'feel good banking'.

In that same spirit, I am proud to report that this same 'feel good factor' is extending through the business, from our customers to our staff. Our customers continue to remain likely to promote our organisation with our Net Promoter Score (NPS) staying strong at 62%. This remains one of the highest scores in the country. As for our staff, our employee engagement scores have also reached new heights at 70%, up from 67% last year. Research consultant AON, recognises this to be in the top quartile (>68%) for the finance industry in Australia and New Zealand.

For the future, we have opened another loans office in Sawtell earlier this year and are now looking to 'step up' our presence along the North and Mid-North Coast as we begin to welcome the Holiday Coast Credit Union network into the fold, launching the new brand, Regional Australia Bank into this market.

Overall, it has been another successful year for Regional Australia Bank and it has been a pleasure to serve on the Board as Chairman. I would like to extend a warm welcome to former Holiday Coast Credit Union Directors Allan Gordon and David Johnson and former CEO Neville Parsons to the Board, beginning July 1, 2019. I look forward to working with them as together we seek to deliver value for the membership at every opportunity. I wish to thank my fellow Board members for their contribution, as well as our CEO Kevin Dupé, his Executive Management team and all of our staff who have contributed to such positive results again this year.

Yours sincerely

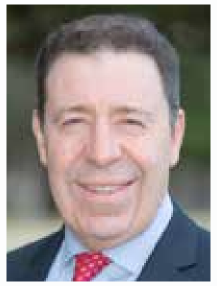
Graham Olrich
Chairman

board of **directors**

Graham Olrich

CHAIRMAN SINCE 2014 - BOARD MEMBER SINCE 2011

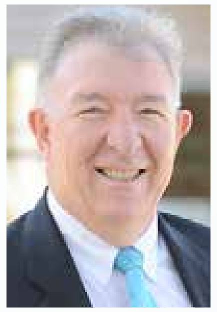
Graham brings a history of strategy, leadership, risk management and business development to the Board. He has almost 40 years' experience in the banking sector, 14 of these served as CEO/Managing Director of Credit Union Australia (CUA). Graham runs his own consulting business and has occupied various Board positions over the past 20 years. Key responsibilities on the Board include Ex-officio member of the Audit Committee, Corporate Governance Committee and Risk Committee.



Michael Fenech

BOARD MEMBER SINCE 2014

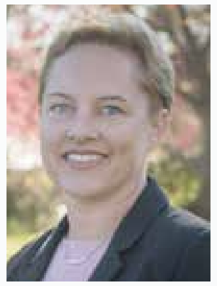
Michael brings a broad knowledge of risk management, leadership, and strategy to the Board in broad areas of financial services. Michael has over 35 years of experience in the banking sector across Australia, operating in roles at Executive and Chief Executive level. Michael is actively involved as a consultant to many financial institutions and holds various Board positions. Key responsibilities on the Board include member and Chair of the Audit Committee and member of the Risk Committee.



Neville Parsons

BOARD MEMBER SINCE 2007

Neville brings extensive experience in strategic planning, corporate governance, management and financial accounting, risk management and compliance to the Board. Neville spent over 30 years as CEO of Holiday Coast Credit Union before retiring 30th June, 2019. He maintains close connections with the broader Customer Owned movement through his prior directorships on the World Council of Credit Unions and subsidiaries, Cuscal Ltd and subsidiaries and as a member, Deputy Chairman and Chairman of Cuscal Ltd Membership Council. Key responsibilities on the Board include member of the Corporate Governance Committee.



Kate James

BOARD MEMBER SINCE 2008

Kate has experience in small business and corporate governance. She has participated in a number of agriculture and government related consultative committees. As a small business person and agricultural consultant she is well aware of the challenges that face small businesses, particularly in regional and rural areas. Key responsibilities on the Board include member of the Corporate Governance Committee and Risk Committee.

Allan Gordon

BOARD MEMBER SINCE 2006

Allan has a strong background in small business lending and commercial management. He brings knowledge and expertise in the areas of financial and business management, leadership and compliance, having operated a business consultancy company specialising in the area of business management and mortgage fund compliance. Allan was previously Chairman of the Holiday Coast Credit Union and is presently Chief Executive Officer of Hastings Co-operative. Key responsibilities on the Board include member of the Audit Committee.

Geoffrey Thompson

BOARD MEMBER SINCE 2008

Geoff is a partner in a successful accounting firm and has significant experience in providing specialised business advice to some of the Hunter Valley's most significant businesses. Key responsibilities on the Board include member of the Audit Committee and Risk Committee.

Brian Goodall

BOARD MEMBER SINCE 1997

Brian has extensive experience in the mutual banking sector with particular emphasis on the legal and compliance areas. He has until recently been the senior partner of a long standing Solicitor practice based in Dubbo specialising in commercial and property matters. Brian is also active in the Australian Institute of Company Directors. His key responsibilities on the Board include member and Chair of the Corporate Governance Committee and member of the Risk Committee.

David Johnson

BOARD MEMBER SINCE 2016

David has 48 years' experience working in the banking and business sectors including previously holding senior management positions and company secretary for Holiday Coast Credit Union. Now retired, David brings extensive Board experience in the areas of financial performance, audit, risk and governance. He has been serving on boards in varied industries since 1995. David is a graduate of the Australian Institute of Company Directors. Key responsibilities on the Board include member of the Risk Committee.

Dr Alison Sheridan

BOARD MEMBER SINCE 2003

Alison has been involved in delivering management education for more than 30 years. Over this time, her teaching, research and consulting activities have developed with a particular focus on regional context. Alison has held a number of board positions in regional organisations over the past 15 years. Key responsibilities on the Board include member and Chair of the Risk Committee, member of the Corporate Governance Committee and Audit Committee.

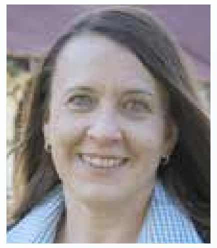
executive management

Kevin Dupé
CHIEF EXECUTIVE OFFICER

Kevin brings a strong economic background to Regional Australia Bank. Kevin has over 25 years' experience in the customer owned banking sector, including 22 years at Regional Australia Bank. Prior to entering the customer owned banking sector, Kevin spent 14 years as a Director in various economic and socioeconomic policy units in the Federal Government.

Mark O'Brien
DEPUTY CEO STRATEGY, INNOVATION & INSIGHT

Mark joined the Executive Management team in 2018 after five years working independently as a Strategy Consultant to a number of businesses in the finance sector across Australia. Early in his career Mark ran a large wealth management business and worked in the UK as an equity analyst for a boutique investment bank.

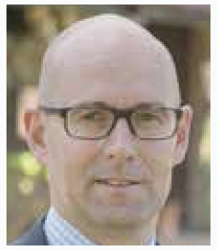


Michelle Edmonds
DEPUTY CEO, PEOPLE & CUSTOMER

Michelle brings a well-rounded wealth of knowledge to the Executive Management team at Regional Australia Bank. She has over 25 years' experience in the financial sector, 22 of these spent in various management roles within the Regional Australia Bank.

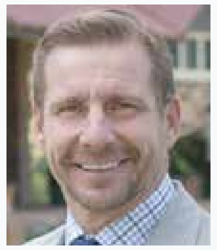
Rob Hale
CHIEF DIGITAL OFFICER

Rob joined Regional Australia Bank in 2010, having previously worked for organisations including Morgan Stanley, SAI Global and the University of New England. Originally from the UK, Rob has qualifications in Computer Science, Data Warehousing, Business Intelligence and Project and Program Management. An active member of industry forums and groups in the customer owned banking sector, he brings over 30 years of experience in international technology and information management roles to the CDO position.



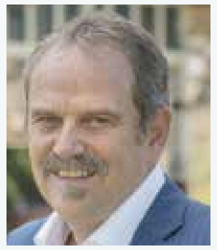
James Harris
CHIEF FINANCIAL OFFICER

James has over 25 years' financial experience in the financial services, training and hospitality industries in Australia, Europe and North America. James holds professional qualifications in accounting and finance.



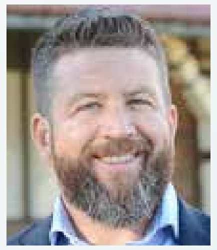
Darren Schaefer
CHIEF MARKETING OFFICER

Darren brings over 20 years of marketing experience to the Executive Management Team. Prior to his role at Regional Australia Bank, Darren held senior marketing & advertising positions for a number of blue chip firms in Australia and the UK including Caltex, KFC and Toyota Motor Corporation Australia.



Bill Miller
CHIEF CUSTOMER RELATIONSHIP OFFICER

Bill brings over 40 years of experience in banking and finance to the Executive Management team. Prior to Regional Australia Bank, Bill held managerial positions with Colonial State Bank and the Commonwealth Bank.



Les Bailey
CHIEF STRATEGY OFFICER

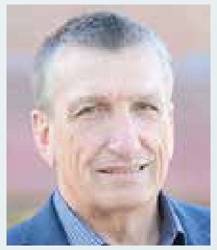
Les has held numerous senior executive roles within the Financial Services Industry and holds a master's degree in Business Administration (MBA). He brings a wealth of experience to the executive having previously served as a member of the executive management team of Holiday Coast Credit Union as Chief Risk Officer. Les is also a graduate of the Australian Institute of Company Directors.

Campbell Nicoll
CHIEF RISK OFFICER

Having over 20 years' experience in Credit Risk Management, Campbell brings a strong economic background to the Executive Management Team. Prior to his role at Regional Australia Bank, Campbell's experience within the financial sector included General Manager positions at ASB Bank (New Zealand) and Bank of South Pacific (Fiji).

David Munday
CHIEF GOVERNANCE & LEGAL OFFICER & COMPANY SECRETARY

David brings over 18 years of experience in the banking sector to his role, providing an extensive knowledge of governance, company secretarial and operational legal matters. David also holds the position of Company Secretary. He has formal qualification in business, law and is a chartered Company Secretary. David is a graduate of the Harvard Business School and the Australian Institute of Company Directors.



Brad Hinton
CHIEF OPERATIONS OFFICER

Brad has been a part of the Customer Owned Banking sector since 1981 and served on the executive management team of Holiday Coast Credit Union for over 25 years in various roles, including that of Chief Financial Officer. Brad brings with him extensive experience in management, operational strategy and financial operations.

performance

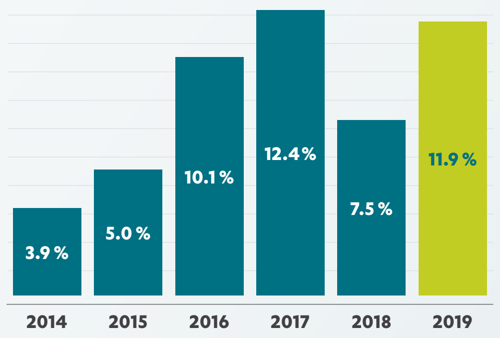
To be financially sustainable allowing delivery of greater value to members into the future

performance summary

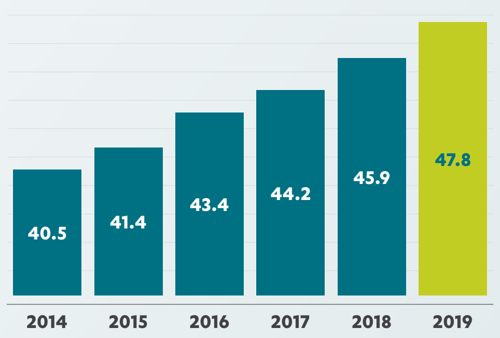
GOAL: TO BE FINANCIALLY SUSTAINABLE ALLOWING DELIVERY OF GREATER VALUE TO MEMBERS INTO THE FUTURE.

RESULT: ACHIEVED

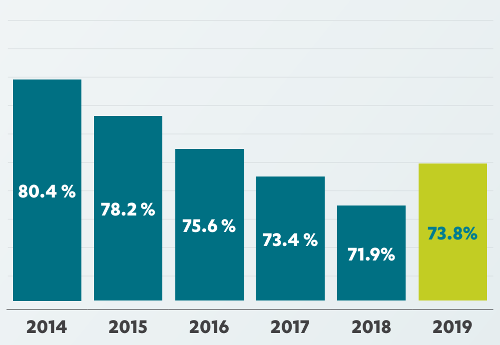
LOAN GROWTH (%)



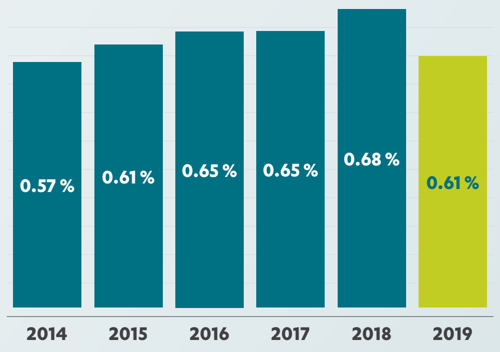
REVENUE ($M)



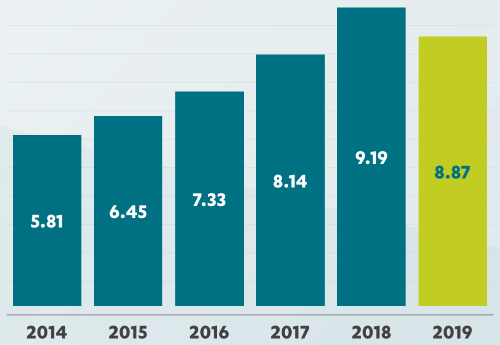
COST TO INCOME (%)



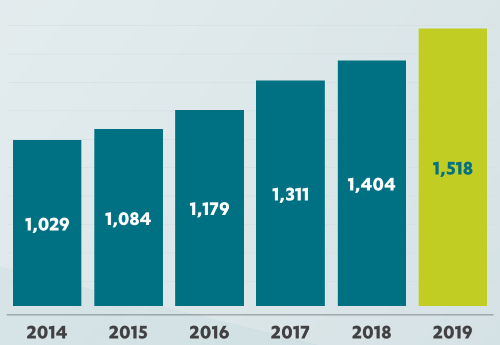
ROA (%)



NET PROFIT AFTER TAX ($M)



TOTAL ASSETS ($M)



corporate governance statement

CREATING VALUE THROUGH STRONG CORPORATE GOVERNANCE

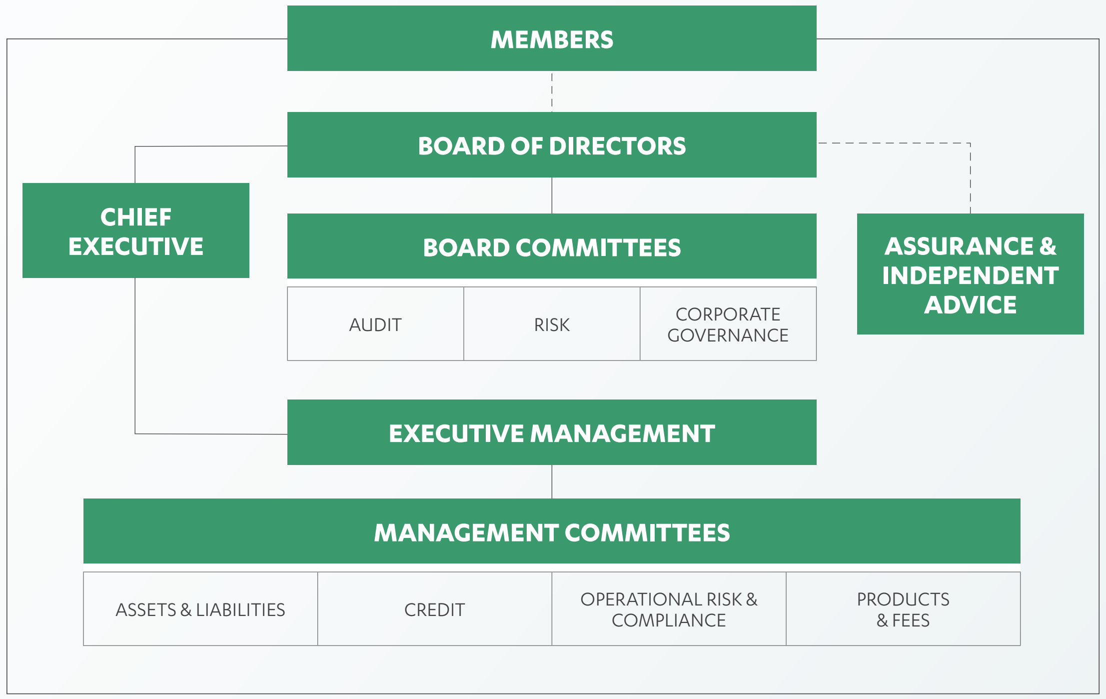
The Board of Regional Australia Bank is committed to excellence in governance standards and practices to ensure the sustainability of its banking performance and long term value to its communities, members and employees.

Regional Australia Bank operates under the Corporations Act 2001 (Cth) and the guidelines and foundations of good corporate governance set out by the Australian Prudential Regulation Authority (APRA) and the Australian Securities Investment Commission (ASIC). The Board takes an active role in ensuring corporate governance best practice.

Regional Australia Bank's Governance Framework has been developed to support its strategic plan, whilst ensuring a clear structure of oversight of key controls and effective leadership. These factors enable Regional Australia Bank to operate, in an effective manner, with prudent management. The Board, and each employee, have a responsibility for upholding Regional Australia Bank's values and behaviours which underpin operational activities, provide transparency and protect members' interests: Integrity, Respect, and Fairness. These values embrace Regional Australia Bank's governance principles and assist with ensuring behaviours and practices are appropriate and there is a strong risk culture in place.

The Board ensures effective control of the corporate governance framework through effective delegation, risk management and a system of assurance regarding financial and non-financial reporting. The Board achieves this through the following corporate governance framework.

Corporate governance framework:



FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board is responsible for ensuring that the foundations for management and oversight are established and operating effectively. This involves having the right strategy, an appropriate culture, and a well embedded risk appetite and governance structure.

Role of the Board

The Board's role and responsibilities are set out in the Board Corporate Governance Policy. This document acts as the Board's Charter and adopts the Corporate Governance Framework. The Board also has a range of policies which detail the purpose, specific roles and responsibilities, delegations, operation and performance of the Board. These outline that the Board is responsible for:

- establishing the strategic direction, major initiatives and objectives of Regional Australia Bank and monitoring the implementation of those strategies and objectives;
- monitoring financial performance and maintaining a direct and ongoing dialogue with Regional Australia Bank's auditors;
- overseeing the development of the risk management framework including defining, setting, monitoring and reviewing Regional Australia Bank's risk appetite and risk management strategy;
- monitoring compliance with regulatory and statutory requirements and the implementation of associated policies;
- establishing and monitoring Regional Australia Bank's values, culture, reputation and ethical standards;
- overseeing the development of the Governance Framework; and
- appointing and reviewing the performance of the Chief Executive Officer (CEO).

Assisting the Board in discharging its responsibilities, the Board has established guidelines designed around skills, knowledge, experience and values for the nomination and selection of Directors and for the operation of the Board. The Board carries out its role in accordance with the values of Integrity, Respect, and Fairness.

Meetings of the Board are held regularly with Board committees meeting as often as required (no less than four times per year) to carry out their respective functions. Importantly, the Board has delegated day to day management of Regional Australia Bank to the CEO. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment and accountability.

Review of Performance

The Board undertakes an annual performance review process designed to assess the performance and effectiveness of the Board, the Board committees and each individual Director.

The framework used to evaluate the performance of each individual Director is based on the expectation they are performing their duties in the best interest of members, in accordance with Regional Australia Bank's values, their respective duties and obligations as a director and the bank's strategic objectives. Outcomes from each of the individual Director reviews is then reflected in the Board Skills and Assessment Matrix so that there is an understanding of the collective skills of the Board and skills of respective directors.

The Board is responsible for approving the performance objectives and measures of the CEO. The Chairman undertakes a bi-annual review of the performance of the CEO. The CEO has a similar structured process which periodically evaluates the performance of each individual Executive Manager.

Every three years, the performance of the Board, the Board committees and each individual Director is assessed using an external independent facilitator.

STRUCTURING THE BOARD TO ADD VALUE

Board Skills, Experience and Diversity

The Board ensures that, collectively, Directors have a broad range of relevant financial, industry experience and other necessary skills and expertise to meet Regional Australia Bank's strategic objectives.

The composition of the Board is determined against the Board's skills and experience requirements. The election of Directors is determined in accordance with Regional Australia Bank's Constitution and other statutory and regulatory requirements. Directors are either member elected or are appointed by the Board at their discretion, allowing the Board the flexibility to be able to source appropriate skills and expertise onto the Board when necessary.

The Board Corporate Governance Committee has been delegated responsibility to review and make recommendations to the Board regarding Board diversity and to assist in the Director nomination process. The Board requires that each of its Directors and Executive Management undertake fit and proper character assessments to ensure compliance with APRA's Prudential Standard CPS 520 Fit and Proper as well as the Banking Executive Accountability Regime requirements.

Details of the Directors' experience and qualifications are set out in the Directors' Report.

BOARD EXPERIENCE, SKILLS AND DIVERSITY

Collectively a strong balance of experience, skills and diversity to deliver long term value creation

EXPERIENCE	Financial Legal and Compliance Banking Working in a Regional Context Experience as a Director	
SKILLS	Leadership Strategy Risk Management Digitisation Governance	
TENURE	12 years and more 7 to 11 years 3 to 6 years Less than 3 years	4 3 1 1
DIVERSITY	Female (2 out of 9) Male (7 out of 9) Composition 7 member elected 2 board appointed	22% 78%

Board Committees

To assist the Board in discharging its responsibilities and oversight of the business, it has established a number of committees with specific structure and functional requirements. These committees are the Board Audit Committee, Board Risk Committee and the Board Corporate Governance Committee.

Each of the Board committees operates within its own terms of reference which set out their purpose and matters relevant to the composition and responsibilities of that committee.

The Board and its committees are structured to ensure that they are of a size that facilitates effective and efficient decision making; comprise Directors with a broad range of skills and experience from a diverse range of backgrounds appropriate to Regional Australia Bank's business; and that the Board Chairman, Audit Committee Chair and Risk Committee Chair are independent Directors.

Board Audit Committee

The Board Audit Committee holds meetings as required and assists the Board in fulfilling its statutory and fiduciary duties. The committee provides an objective review of the reporting of financial information and the internal control environment, including an understanding of the financial, tax and accounting risks.

The Head of Internal Audit and Assurance and the External Auditor are both invited to attend meetings at the discretion of the committee.

Board Corporate Governance Committee

The Board Corporate Governance Committee holds meetings as required, with its function designed to assist the Board in ensuring that Regional Australia Bank operates in accordance with a clear, consistent and effective governance framework that conforms to Regional Australia Bank's legal and governance obligations and the required standards of corporate behaviour. The committee monitors legal and regulatory developments relating to the governance framework to ensure it is operating against best practice.

The Board Corporate Governance Committee also undertakes the responsibility of assessing all persons, including existing Directors, prior to their appointment or election as a Director as to their fitness and propriety. The committee makes recommendations to the Board on candidates for appointment as Director.

The Board Corporate Governance Committee also comprises the Board Remuneration Committee. This committee makes recommendations to the Board on the remuneration to be paid to Directors, the CEO and Executive Managers, to ensure it remains market-competitive and adheres to legislative and prudential requirements.

Board Risk Committee

The Board Risk Committee is designed to be an efficient and effective mechanism to bring the transparency, focus and independent judgement needed to oversee the risk management framework. The committee's responsibilities are to evaluate the adequacy and effectiveness of Regional Australia Bank's risk management framework, risk appetite and the appropriateness of the risk culture. The Board Risk Committee holds meetings as required.

Directors' Independence

APRA's Prudential Standard CPS 510 on governance mandates that Authorised Deposit Taking Institutions (ADI's) must have a majority of independent Directors at all times. All of the Directors of Regional Australia Bank serve in a non-executive capacity and the Board has adopted specific principles in determining Directors' independence.

The Board assesses independence annually in accordance with its Governance Policy, requiring each Director to disclose all information that could reasonably be considered to influence their capacity to act as an independent Director. Throughout the current financial year all current Directors have been assessed as being independent.

Access to Independent Information and Advice

In order to fulfil their responsibilities the Board collectively, and each Director individually, has the right to seek independent professional advice whenever it is considered necessary. Individual Directors may seek independent professional advice on any matter connected with the discharge of their responsibilities to ensure they exercise their objective, unfettered and independent judgement as a director.

In addition, the Board, the Board's committees and individual Directors, at the expense of Regional Australia Bank, may obtain relevant professional advice, as required, to assist in undertaking their role. All Directors have unrestricted access to records and information of Regional Australia Bank to assist with discharging their fiduciary duty.

ACTING ETHICALLY AND RESPONSIBLY – OUR GUIDING PRINCIPLES

The Board, CEO, Executive Management and all employees are responsible for adhering to, and promoting, high standards of ethical behaviour and decision making.

Code of Conduct

The Board operates in a manner reflecting Regional Australia Bank's values and behaviours. To support this, the Board has developed a Code of Conduct which is reviewed annually to ensure it reflects and instils the highest standards and level of behaviour and practices as well as providing a guideline for ethical behaviour and decision making expected of all Regional Australia Bank employees.

Conflict of Interest

In accordance with the Corporations Act 2001 and Regional Australia Bank's Constitution, each Director must ensure that no action or decision is taken that places their interest in front of the interests of Regional Australia Bank. Directors are required to disclose to the Board any material matter in which they may have an interest.

The Board has established a process for the handling of actual or potential conflicts of interest with respect to the activities or decision-making responsibilities of Regional Australia Bank's Directors and Executive Management. In order to ensure that such conflicts are properly identified and managed, all Regional Australia Bank's Directors are required to disclose any conflict of interest (whether actual or potential). Directors are also given the opportunity to declare any interest as a standing item in each of the respective Board committees and Board meeting agendas.

Management Delegation

The Board has delegated authority to the CEO to ensure Regional Australia Bank's strategic objectives are met. The CEO is responsible for day-to-day leadership and management of Regional Australia Bank's business activities and implementation of Board-approved strategies, policies, resolutions and directions.

As a key operation of the Governance Framework to ensure responsible decision making, the CEO has a structure of management committees to make recommendations to the CEO in relation to operational matters. Delegations from the CEO to management are clearly documented. They are designed to accelerate decision-making and to improve efficiency in member service and experience as well as managing business risks.

Whistleblower Protection

Regional Australia Bank has a strong commitment to adherence to a culture of risk management and compliance, ethical behaviour and good corporate governance. Regional Australia Bank's whistleblower protection policy enables individuals to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

REMUNERATE FAIRLY AND RESPONSIBLY

The Board, through the oversight of the Board Corporate Governance Committee, is responsible for remuneration practices that assist in attracting and retaining Executive Management and other individuals who are critical to Regional Australia Bank's success. It is Regional Australia Bank's objective to provide maximum member benefit from the retention of a high quality Board and Executive Management team by remunerating fairly and responsibly by reference to prevailing market benchmarks and performance.

In accordance with the requirements of APRA's Prudential Standard CPS 510 on governance, Regional Australia Bank has a structure for managing approval of remuneration for Board, the CEO, Executive Management and other individuals that are responsible for managing financial performance and risk management. The Board regularly undertakes an independent review of remuneration to ensure that remuneration practices are prudent and consistent with market practices.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board of Regional Australia Bank is committed to ensuring that the financial reports present a true and fair view and are constructed in accordance with applicable accounting rules and policies. The Board, through the responsibility of the Board Audit Committee, maintain a close focus to ensure the external auditor is independent and serves members' interests by knowing the true financial position of Regional Australia Bank.

RECOGNISE AND MANAGE RISK

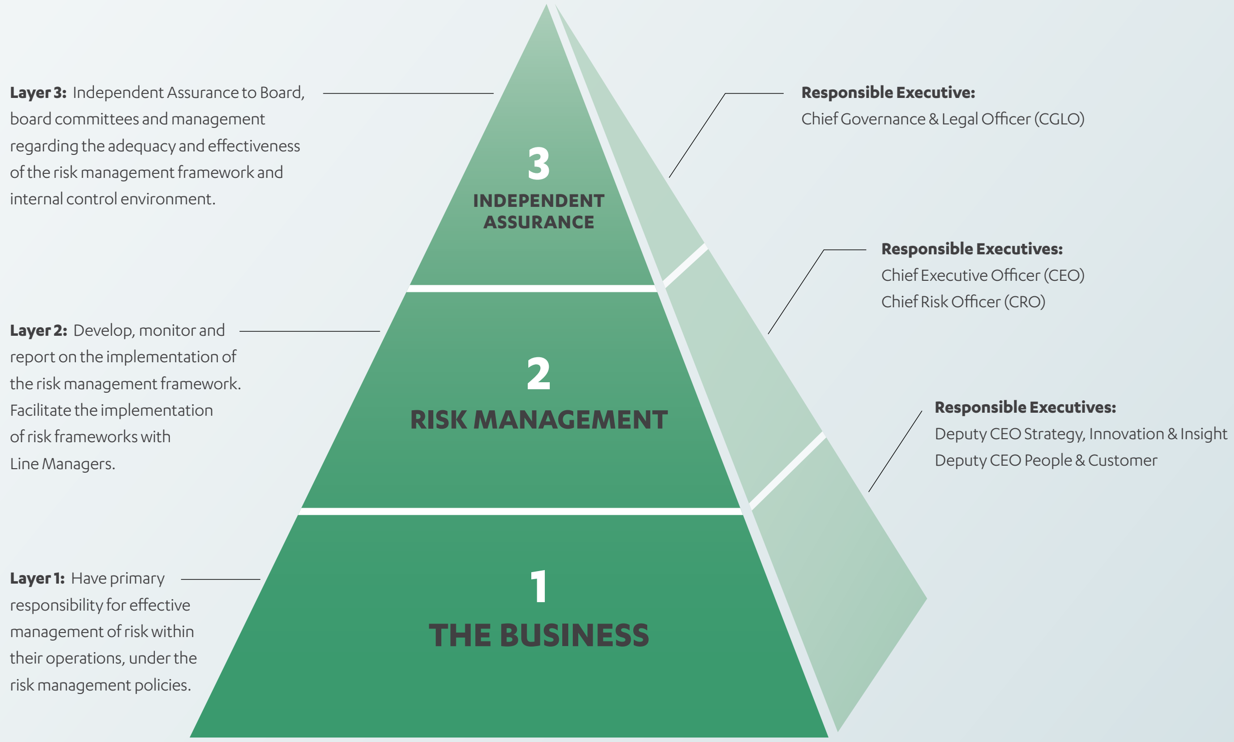
The Regional Australia Bank Board has responsibility for overseeing the establishment and ongoing monitoring of risk management systems and frameworks and for setting Regional Australia Bank's risk appetite and overseeing risks inherent in Regional Australia Bank's business. The Board has delegated to the CEO the responsibility for implementing a system of internal controls to identify and manage these risks.

Each Executive Manager is accountable to the CEO that the systems of risk management and internal controls under their respective business areas operate effectively to manage the risk Regional Australia Bank faces in its business operations.

There are established policies for oversight and management of material risks. These are embedded as controls to manage Regional Australia Bank's material business risks. Further explanatory notes on the management of risk are included throughout the financial report.

Regional Australia Bank operates using a Three Lines of Defence approach to risk management which assists in ensuring a strong risk culture. All employees at Regional Australia Bank are responsible for managing risk and operating within the set risk profile of the bank.

The approach of the Three Lines of Defence operating structure is outlined as follows:



financial report
2018-2019

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Regional Australia Bank Ltd ("the Company") and the CMG Funding Trust No.1 ("the Trust") for the financial year ended 30 June 2019 and the auditor's report.

The Company is a public company registered under the Corporations Act 2001 (Cth) limited by shares.

The Trust is a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2019 (together referred to as "the Group").

Principal Activities

The principal activities of the Company during the year were the provision of retail and commercial financial services to members in the form of taking deposits and giving financial accommodation as prescribed by Regional Australia Bank's Constitution.

Results

The profit of the Company for the year before income tax is $12.54mil (2018: $12.92mil) representing an excellent result in a difficult economic environment.

Directors' Qualifications, Experience and Special Responsibilities

At the date of this report, the Board comprises nine Non-Executive Directors.
The names of the Directors in office at any time during or since the end of the year, together with details of their qualifications, experience and special responsibilities are as follows:

Name	Qualifications	Position	Experience and Special Responsibilities
Graham Olrich	Dip FS, Dip FS (Credit Union Directorship), FAICD, FAMI	Non-Executive Director	- Director since 2011 - Chairman since November 2014 - Ex-officio Member Audit Committee - Ex-officio Member Corporate Governance Committee - Ex-officio Member Risk Committee
Alison Sheridan	BAgEc (Hons) (Syd), PhD (UNE), GAICD	Non-Executive Director	- Director since 2003 - Member & Chair of the Risk Committee - Member of the Corporate Governance Committee - Member of the Audit Committee (until 1 July 2019)
Geoff Thompson	BFin Admin, FCA, GAICD	Non-Executive Director	- Director since 2008 - Member of the Audit Committee - Member of the Risk Committee (until 1 July 2019)
Michael Fenech	B.Ec, GAICD	Non-Executive Director	- Director since 2014 - Member & Chair of the Audit Committee - Member of the Risk Committee
Brian Goodall	B.Ec LLB, GAICD	Non-Executive Director	- Director since 1997 - Member & Chair of the Corporate Governance Committee - Member of the Risk Committee
Kate James	BRurSci (UNE), GAICD	Non-Executive Director	- Director since 2008 - Member of the Corporate Governance Committee - Member of the Risk Committee (until 1 July 2019)
Allan Gordon	B.Bus, Grad Dip Edu, MAMI	Non-Executive Director	- Director since July 2019 - Holiday Coast Credit Union Ltd Director since 2006 - Member of the Audit Committee (from 1 July 2019)
David Johnson	BA, CPA, GAICD, MAMI	Non-Executive Director	- Director since July 2019 - Holiday Coast Credit Union Ltd Director since 2016 - Member of the Risk Committee (from 1 July 2019)
Neville Parsons	B.Ec, LLB, FAIM, MAICD, FIPS, FAMI	Non-Executive Director	- Director since July 2019 - Holiday Coast Credit Union Ltd Executive Director since 2007 - Member of the Corporate Governance Committee (from 1 July 2019)

DIRECTORS' REPORT Continued

Information on Board and Committee Meetings for the financial year ended 30 June 2019

	Board		Corporate Governance		Audit		Risk	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Olrich	11	11	3	3	4	4	3	3
Alison Sheridan	11	10	3	3	4	4	3	3
Geoff Thompson	11	11	-	-	4	4	3	3
Michael Fenech	11	11	-	-	4	4	3	3
Brian Goodall	11	9	3	3	-	-	3	3
Kate James	11	10	3	2	-	-	3	3
Allan Gordon	-	-	-	-	-	-	-	-
David Johnson	-	-	-	-	-	-	-	-
Neville Parsons	-	-	-	-	-	-	-	-

On July 1, 2019 following the merger with Holiday Coast Credit Union Ltd the following changes to the Committees occurred:

Corporate Goverance Committee: Neville Parsons was appointed to the committee.
Audit Committee: Allan Gordon was appointed to, and Alison Sheridan stepped down from the committee .
Risk Committee: David Johnson was appointed to, and Geoff Thompson and Kate James stepped down from the committee.

Information on Company Secretary

The Company Secretary is David Munday, LLB, BComm (UNE), Grad Dip Applied Corporate Governance (GIA Syd), AGIA, GAICD. Mr Munday was appointed to the position in 2004.

Directors' Benefits

No Director has received or become entitled to receive, during, or since the end of the financial year, a benefit because of a contract made by the Company 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 E2 of the financial report.

Directors, Officers or Auditors Indemnity

Insurance premiums have been paid to insure each of the Directors and Officers of the Company, 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 Company. 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 cover has been provided for the benefit of the auditors of the Company.

Significant Changes in State of Affairs

Prior to balance date at 30 June 2019 Regional Australia Bank Ltd was granted approval from APRA to merge with Holiday Coast Credit Union Ltd pursuant to the Financial Sector (Transfer and Restructure) Act 1999(cth). Regulatory Approval was obtained from APRA for the merger prior to the balance date of 30 June with an effective date from 1 July 2019. The primary reason for the merger was to deliver a strong and sustainable mutual financial institution in regional Australia. Refer Note F6.

There were no other significant changes in the state of affairs of the Company during the financial year.

Significant Events After the Balance Date

Subsequent to balance date at 30 June 2019 Regional Australia Bank Ltd merged with Holiday Coast Credit Union Ltd, a Wauchope based Credit Union, pursuant to the Financial Sector (Transfer and Restructure) Act 1999(cth). Regulatory Approval was obtained from APRA for the merger prior to the balance date of 30 June with an effective date from 1 July 2019. The primary reason for the merger was to deliver a strong and sustainable mutual financial institution in regional Australia. Refer Note F6.

Likely Developments and Expected 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 Company.

in the financial years subsequent to this financial year.

DIRECTORS' REPORT Continued

Rounding

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in financial / directors' reports) Instruments 2016/191.

Non-Audit Services

The following non-audit services were provided by the Company's auditor, KPMG. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

KPMG received or are due to receive the following amounts for the provision of non-audit services for the year ended 30 June 2019:

	$
Taxation Services	17,700
Total	**17,700**

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out following the Directors' Report.

Public Prudential Disclosures

As an Authorised Deposit taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), the Company is required to publicly disclose certain information in respect of:

- Consolidated equity and regulatory capital;
- Risk exposure and assessment, and
- Remuneration disclosures.

The disclosures are to be found on the Company's website:
www.regionalaustraliabank.com.au/about-us/corporate-documents/reports/prudential-information-disclosures

Signed in accordance with a resolution of the Board of Directors.

Graham Olrich
Director

Michael Fenech
Director

Date: 27 September 2019

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

To the Directors of Regional Australia Bank Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Regional Australia Bank Ltd for the financial year ended 30 June 2019 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

Nicholas Buchanan

Partner

Sydney

27 September 2019

Financial Statements

Notes to the Consolidated Financial Statements

A About this Report	**B** Our Business Performance	**C** Banking Activities and Risk Management	**D** Capital Management	**E** Employee Benefits	**F** Other Disclosures
	B1 Income and Interest Expense	**C1** Deposits	**D1** Capital Management	**E1** Employee Benefits	**F1** Remuneration of Auditors
	B2 Tax	**C2** Loans and Advances to Members	**D2** Redeemable Member Shares	**E2** Related Party Disclosures	**F2** Commitments
	B3 Cash and Cash Equivalents	**C3** Other Financial Assets	**D3** Reserves		**F3** Contingent Liabilities
		C4 Investments at Amortised Cost			**F4** Land and Buildings
		C5 Financial Risk Management			**F5** Correction of Errors
		C6 Trade and Other Receivables			**F6** Subsequent Events
		C7 Trade and Other Payables			

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Interest income using effective interest method	B1	62,957	59,828	66,688	63,353
Interest expense using effective interest method	B1	(22,272)	(21,129)	(28,157)	(27,188)
Net interest income		**40,685**	**38,699**	**38,531**	**36,165**
Non-interest income	B1	7,106	7,182	9,223	9,669
Net operating income		**47,791**	**45,881**	**47,754**	**45,834**
Loan impairment expense	C2 b)	(1,009)	(736)	(1,009)	(736)
Employee benefits expense	E1 a)	(18,389)	(16,887)	(18,389)	(16,887)
Occupancy expense		(1,850)	(2,273)	(1,850)	(2,273)
Depreciation and amortisation expense		(1,367)	(1,454)	(1,367)	(1,454)
Information technology and communication expense		(4,712)	(4,350)	(4,712)	(4,350)
Member transaction costs		(3,098)	(2,778)	(3,098)	(2,778)
Other operating expenses		(4,827)	(4,488)	(4,790)	(4,441)
Total operating expenses		(35,252)	(32,966)	(35,215)	(32,919)
Profit before income tax		**12,539**	**12,915**	**12,539**	**12,915**
Income tax expense	B2 a)	(3,674)	(3,723)	(3,674)	(3,723)
Net profit after tax attributable to members		**8,864**	**9,192**	**8,865**	**9,192**
Other comprehensive income					
Items that will not be reclassified to profit and loss					
Revaluation of Other Financial Assets		-	250	-	250
Income tax relating to components of other comprehensive income	B2 b)	-	(75)	-	(75)
		-	175	-	175
Items that will be reclassified to profit and loss upon realisation					
Revaluation of Property, Plant and Equipment		-	730	-	730
Income tax relating to components of other comprehensive income	B2 b)	-	(219)	-	(219)
		-	511	-	511
Other comprehensive income for the year, net of tax		**-**	**686**	**-**	**686**
Total comprehensive income for the year		**8,864**	**9,878**	**8,865**	**9,878**

The accompanying notes should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	Consolidated 2019 $'000	Consolidated Restated * 2018 $'000	Parent 2019 $'000	Parent Restated * 2018 $'000
ASSETS					
Cash and cash equivalents	B3	65,748	80,233	59,881	74,974
Investments at amortised cost	C4	157,561	163,725	157,561	163,725
Loans, advances and notes from securitisation trust at amortised cost	C2	1,280,744	1,144,110	1,451,344	1,282,810
Trade and other receivables	C6 *	2,566	3,827	2,911	4,277
Other Financial Assets	C3	2,238	1,379	2,238	1,379
Land and buildings	F4	2,950	3,000	2,950	3,000
Plant and equipment		2,723	2,715	2,723	2,715
Intangible Assets - computer software		999	862	999	862
Current Tax assets		-	1,963	-	1,963
Deferred tax assets	B2 b)	2,066	1,294	2,066	1,294
Total Assets		**1,517,596**	**1,403,108**	**1,682,674**	**1,536,999**
LIABILITIES					
Deposits	C1	1,372,558	1,269,157	1,372,558	1,269,157
Trade and other payables	C7 *	16,662	14,491	16,662	14,491
Current tax liabilities		270	-	270	-
Employee Benefits	E1 b)	3,125	2,969	3,125	2,969
Provisions		160	160	160	160
Other Borrowings	C2 h)	-	-	165,078	133,891
Total Liabilities		**1,392,775**	**1,286,777**	**1,557,853**	**1,420,668**
Net Assets		**124,821**	**116,330**	**124,821**	**116,330**
EQUITY					
Redeemable member shares	D2	708	678	708	678
Reserves	D3	1,454	1,454	1,454	1,454
Retained earnings	*	114,208	105,747	114,208	105,747
Contributed Equity		8,451	8,451	8,451	8,451
Total Equity		**124,821**	**116,330**	**124,821**	**116,330**

* 2018 Restated - refer to notes C6, C7 & F5

The accompanying notes should be read in conjunction with these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2019

Consolidated

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017 - as previously stated	8,451	657	768	97,306	107,182
Adjustments for prior period errors	-	-	-	(730)	(730)
Balance at 1 July 2017 - restated	8,451	657	768	96,576	106,452
Total Net profit after tax attributable to members	-	-	-	9,192	9,192
Revaluation of Other Financial Assets	-	-	175	-	175
Revaluation of Property, Plant and Equipment	-	-	511	-	511
Transfer to capital account on redemption of shares	-	21	-	(21)	-
Balance at 30 June 2018 - restated	**8,451**	**678**	**1,454**	**105,747**	**116,330**

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	8,451	678	1,454	105,747	116,330
Adjustment for change in accounting policy	-	-	-	(374)	(374)
Restated balance at beginning of financial year	8,451	678	1,454	105,373	115,956
Total Net profit after tax attributable to members	-	-	-	8,864	8,864
Revaluation of Other Financial Assets	-	-	-	-	-
Revaluation of Property, Plant and Equipment	-	-	-	-	-
Transfer to capital account on redemption of shares	-	30	-	(30)	-
Balance at 30 June 2019	**8,451**	**708**	**1,454**	**114,207**	**124,820**

Parent

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	8,451	657	768	97,306	107,182
Total Net profit after tax attributable to members	-	-	-	9,192	9,192
Revaluation of Other Financial Assets	-	-	175	-	175
Revaluation of Property, Plant and Equipment	-	-	511	-	511
Transfer to capital account on redemption of shares	-	21	-	(21)	-
Adjustment for prior year errors	-	-	-	(730)	(730)
Balance at 30 June 2018	**8,451**	**678**	**1,454**	**105,747**	**116,330**

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	8,451	678	1,454	105,747	116,330
Adjustment for change in accounting policy	-	-	-	(374)	(374)
Restated balance at beginning of financial year	8,451	678	1,454	105,373	115,956
Total Net profit after tax attributable to members	-	-	-	8,865	8,865
Revaluation of Other Financial Assets	-	-	-	-	-
Revaluation of Property, Plant and Equipment	-	-	-	-	-
Transfer to capital account on redemption of shares	-	30	-	(30)	-
Balance at 30 June 2019	**8,451**	**708**	**1,454**	**114,208**	**124,821**

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2019

		Consolidated		**Parent**	
	Notes	**2019**	**2018**	**2019**	**2018**
CASH FLOW FROM OPERATING ACTIVITIES		**$'000**	**$'000**	**$'000**	**$'000**
Interest received		63,013	60,372	66,744	63,898
Dividends received		31	31	31	31
Fees and commissions received		8,266	10,586	5,850	6,417
Other income		331	371	4,970	6,837
Interest paid		(22,272)	(20,929)	(28,157)	(26,988)
Payments to suppliers and employees		(30,275)	(36,798)	(30,240)	(36,755)
Income taxes paid		(4,188)	(5,441)	(4,188)	(5,441)
(Increase)/Decrease in operating assets					
Net increase in member loans		(138,064)	(80,014)	(169,964)	(80,014)
Increase/(Decrease) in operating liabilities					
Net increase in member deposits		103,401	92,434	103,401	92,434
Net increase in borrowings (securitisation)		-	-	31,187	1,481
Net cash provided (used) by operating activities	B3 c)	**(19,757)**	**20,612**	**(20,366)**	**21,900**
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds/(payments) for investments at amortised cost		6,669	(24,538)	6,669	(24,538)
Proceeds from sale of property, plant and equipment		10	33	10	33
Payments for property, plant and equipment		(661)	(627)	(661)	(627)
Purchase of intangible assets		(745)	(465)	(745)	(465)
Net cash (used in) investing activities		**5,273**	**(25,597)**	**5,273**	**(25,597)**
CASH FLOW FROM FINANCING ACTIVITIES					
Repayment of subordinated debt issue		-	(3,994)	-	(3,994)
Net cash (used in) financing activities		**-**	**(3,994)**	**-**	**(3,994)**
Total net increase (decrease) in cash held		(14,484)	(8,979)	(15,093)	(7,691)
Cash at the beginning of year		80,233	89,212	74,974	82,665
Cash and cash equivalents at the end of year	B3 a)	**65,749**	**80,233**	**59,881**	**74,974**

The accompanying notes should be read in conjunction with these financial statements. Refer to note F5 for mistatement disclosure.

A ABOUT THIS REPORT

Corporate Information

The financial statements of Regional Australia Bank Ltd ("the Company") for the year ended 30 June 2019 were authorised for issuance in accordance with a resolution of the Directors on 27 September 2019.

The consolidated financial statements as at and for the year ended 30 June 2019 comprise Regional Australia Bank Ltd ("the Company") and the CMG Funding Trust No.1 ("the Trust"), a Special Purpose Vehicle deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2019 (together referred to as the "Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members. The members are the owners of the Company.

The registered office is at Technology Park, Madgwick Drive, Armidale NSW 2350.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Basis of Preparation

The consolidated financial statements of the Company are general purpose financial statements which have 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. The financial statements have been prepared on a historical cost basis, except for land and buildings and other financial assets, which have been measured at fair value.

Amounts are presented in Australian dollars, which is the Group's functional and presentation currency. These amounts have been rounded to the nearest thousand dollars ('000), or in certain cases to the nearest dollar, as allowed by ASIC Corporations Instrument 2016/191.

Statement of Compliance with IFRS

The financial statements comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis of Consolidation

The consolidated financial statements include those of the Company and a Special Purpose Vehicle (the CMG Funding Trust No. 1, the securitisation trust) which relates to the issuance of residential mortgage-backed securities (RMBS). RMBS are issued by the securitisation trust and held by the Company for entering into potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trust is consolidated, as the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Consolidated Statement of Profit or loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr Kevin Dupé, Chief Executive Officer of the Group.

As internal reporting to the Chief Executive Officer is on a 'whole of business' basis, the Group considers there to be one reportable segment.

Accounting Policies

(i) Financial Assets

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Impairment of non financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the difference is recognised as the impairment loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of the asset is increased to its recoverable amount.

Other significant accounting policies can be found next to the note to which they relate.

A ABOUT THIS REPORT (Continued)

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has used its judgements, assumptions and applied estimates of future events. Some of these include areas involving:

- impairment assessment and charges on loans and advances (C2a);
- fair value of financial assets and liabilities (C3);
- recoverability of deferred tax assets (B2);

Further information on specific judgements, assumptions made and estimates applied, are contained within the notes to the financial statements.

Change in significant accounting policies

A number of new or amended standards became applicable for the current reporting period and the Group had to change accounting policies and make retrospective adjustment as a result of adopting the following standards:

AASB 9: Financial Instruments, and

AASB 15: Revenue from Contracts with Customers.

The following table summarises the impact, net of tax, of transition to AASB 9 and AASB 15 on the opening balance of reserves and retained earnings.

		Impact of adopting AASB 9 and AASB 15 on opening balance 1 July 2018	
		Consolidated	Parent
Retained Earnings		$'000	$'000
Recognition of expected credit losses under AASB 9	C2	(1,393)	(1,393)
Recognition of contract asset under AASB 15	C2	859	859
Related tax		160	160
Impact on 1 July 2018		(374)	(374)

The impact of the adoption of these new standards and new accounting policies are further disclosed below.

i) AASB 9 Financial Instruments

AASB 9: Financial Instruments (AASB 9) sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement.*

AASB 9 Financial Instruments (AASB 9) was adopted without restating comparative information. The classifications and the adjustment arising from the new impairment rules are therefore not reflected in the balance sheet as at 30 June 2018, but are recognised in the opening balance sheet on 1 July 2019.

A. Classification and measurement of financial instruments

AASB 9 contains three principal classification categories for financial assets: measure at amortised cost, FVOCI and FVTPL. The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held-to-maturity, loans and receivables and available-for-sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
Financial instruments whose classification are no longer allowed under AASB 9 have been assessed to determine their new classification and fair value going forward. The Group have considered the changes required in classification and measurement of financial instruments and impacts shown below.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The Group does not currently have any hedge position and thus AASB 9 hedging provisions are not applicable.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.
The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements.

		Original Classification under AASB 139	New Classification under AASB 9	Original Consolidated carrying amount under AASB 139	New Consolidated carrying amount under AASB 9
Financial Assets				$'000	$'000
Cash and cash equivalents	(a)	Loans & receivables	Amortised Cost	80,233	80,233
Investments at amortised cost	(a)	Held-to-Maturity	Amortised Cost	163,725	163,725
Loans, advances and notes from	(b)	Loans & receivables	Amortised Cost	1,144,110	1,142,717
Trade and other receivables	(c)	Loans & receivables	Amortised Cost	3,827	3,827
Other Financial Assets	(d)	Available-for-Sale	FVOCI - equity instrument	1,379	1,379
Total Financial Assets				1,393,274	1,391,881
Financial Liabilities					
Deposits	(e)	Other financial liabilities	Other financial liabilities	1,269,157	1,269,157
Trade and other payables	(f)	Other financial liabilities	Other financial liabilities	14,491	14,491
Total Financial Liabilities				1,283,648	1,283,648

(a) The Cash and cash equivalents along with Investments at Amortised Cost are held by the Group in a separate portfolio to provide interest income and meet liquidity requirements. The Group considers these securities are held within a business model whose objective is achieved by collecting contractual cash flows, sales may occur, though be incidental to the business model. The financial assets have a maturity no longer than 5 years and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets therefore have been classified as financial assets held at amortised cost under AASB 9. On transition to AASB 9 there is no change in value.

(b) Loans and advances to members that were classified as loan and receivables under AASB 139 are now classified at amortised cost. The Group considers these securities are held within a business model whose objective is achieved by collecting contractual cash flows. The financial assets have a maturity no longer than 30 years and contractual terms of these assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets therefore have been classified as financial assets held at amortised cost under AASB 9.

(c) Trade and other receivables that were classified as loan and receivables under AASB 139 are now classified at amortised cost as they are held to collect under the Groups business model. On transition to AASB 9 there is no change in value.

(d) Other Financial assets are equity securities that represent investments the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike AASB 139, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss. On transition to AASB 9 there is no material change in value.

A ABOUT THIS REPORT (Continued)

Change in significant accounting policies (Continued)

B. Impairment of financial instruments

AABS 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, loan commitments, financial guarantees, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

In assessing the impairment of financial assets under the incurred loss model, the Group defines default in accordance with it's Credit Policy and procedures, which includes defaulted asset and impaired assets as described below. Default occurs when a loan obligation is 90 days or more past due, or when its considered unlikely that the credit obligation to the Group will be paid in full without recourse to actions such as realisation of security.

For assets in the scope of the AASB 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined the application of AASB 9's impairment requirements as at 30 June 2018 resulting in an additional allowance as follows.

	$'000
Loss allowance at 30 June 2018 under AASB 139	2,705
Additional impairment recognised at 30 June 2018 on:	
Loans, advances and notes from securitisation trust at amortised cost	1,393
Loss allowance at 30 June 2018 under AASB 9	4,098

Whilst Cash and cash equivalents, Investments at amortised cost and trade receivables are subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Determining a significant increase in credit Risk (SICR)

AASB 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognitions ("Stage 1"), and lifetime expected credit losses for financial instruments for which the credit risk has significantly increased since initial recognition ("Stage 2") or which are credit impaired ("Stage 3"). The Group assess when a significant increase in credit risk has occurred. To make this assessment, financial instruments that are 30 days or more past due are treated as "Stage 2". Exposures move back to "Stage 1" once they no longer meet the criteria for a significant increase in credit risk.

Calculation of expected credit losses (ECL)

Expected credit losses (ECLs) are calculated using three main parameters i.e. a probability of default (PD), a loss given default (LGD) and an exposure at default (EAD). These parameters are generally derived from statistical models combined with historical, current and forward looking information, including macro economic data.

For accounting purposes, the 12 months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that effect the credit risk.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility.

The 12-months ECL is equal to the discounted sum of monthly PD over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the full expected remaining life multiplied by LGD and EAD.

Incorporation of Forward Looking information

The Group uses a range of relevant forward looking data, including macro economic forecasts and assumptions, for the determination of unbiased general economic adjustments and any idiosyncratic or targeted portfolio / geographical adjustments, in order to support the calculation of ECLs.

Forward looking adjustments for both macro-economic adjustments and more targeted portfolio / geographical adjustments, reflect reasonable and supportable forecasts of potential future conditions that are not captured in a base ECL calculation.

Macro-economic factors taken into consideration include, but are not limited to, unemployment, interest rates, gross domestic product residential property prices. Portfolio and geographical adjustment taken into consideration include, but are not limited to, portfolio composition and drought conditions. The factors require an evaluation of both the current and forecast direction of the economic and environmental cycle.

Incorporating forward looking information, including macro-economic forecasts increases the degree of judgement required to assess how the changes in these data point, will effect ECLs. The methodologies and assumptions, including any forecasts if future economic and environmental conditions are reviewed regularly.

Loans and the related ECL are written off, either partially or in full, when there is no realistic prospect of recovery. Indicators which trigger a write-off may include: bankruptcy, restructuring where there is a high improbability of recovery of part of the remaining exposure or when there is a high improbability of recovery of the remaining loan exposure or certainty that no recovery can be realised. If a provision for impairment has been recognised in relation to a loan, write offs are made against the provision. If no provision for impairment has previously been recognised, write offs are recognised as expenses in the Statement of Profit or Loss and Other Comprehensive Income.

Additional information about how the Group measures the allowance for impairment is described in Note C2

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers (AASB 15) became effective for the Group on 1 July 2018 and applies to contracts with customers (except for contracts that are within the scope of the standards on leases and financial instruments). It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

Interest income is the primary source of revenue for the Group which falls under the effective interest method under AASB 9 and outside the scope of AASB 15. Other non-interest income streams of the Group were individually assessed in accordance with AASB 15. Except for General Insurance Commissions, it was determined that any change in the value of the revenue being recognised was immaterial or did not change under the new standard. See B1 (ii) for assessment of General Insurance Commissions which resulted in the recognition of a contract asset on adoption of AASB 15.

New accounting standards and interpretations

There are no new standards which are expected to have a significant impact on the Group with the exception of AASB 16. The Group's assessment of this new standard and interpretation is set out below:

iii) AASB 16 Leases

AASB 16 Leases (AASB 16) introduces a single lessees accounting model that requires a lessee to recognise assets (right to use an underlying asset) and liabilities (obligation to make lease payments) for all leases with a term of more than 12 months unless the underlying asset is of low value.

The Group has performed a preliminary assessment of leases and the impact of the adoption of AASB 16 is expected to result in the recognition of right to use lease assets estimated at $5.7 million and lease liabilities of $5.7 million in the consolidated financial statements.

The Group do not plan to adopt these standards early.

B OUR BUSINESS PERFORMANCE

B1 INCOME AND INTEREST EXPENSE

(i) Interest income and expense

All Interest income and interest expense is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial instrument over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

Loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a member's account on the last day of each month. Interest income on impaired loans is recognised using the original effective interest rate.

	Consolidated		**Parent**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Interest Income using the effective interest method				
Cash and cash equivalents	1,075	1,638	1,075	1,638
Investments at Amortised Cost	4,286	3,057	4,286	3,057
Loans and advances to members	56,939	54,621	56,970	54,605
Interest income accrued on impaired financial assets	171	204	171	204
Other interest income	486	308	245	103
Interest income on notes receivable from securitisation trust	-	-	3,941	3,746
Total interest income using the effective interest method	**62,957**	**59,828**	**66,688**	**63,353**
Interest Expense using the effective interest method				
Deposits	22,272	20,997	22,272	20,997
Subordinated debt	-	126	-	126
Other Borrowings	-	-	5,885	6,059
Amortisation of debt raising facility	-	6	-	6
Total interest expense using the effective interest method	**22,272**	**21,129**	**28,157**	**27,188**
Net Interest Income	**40,685**	**38,699**	**38,531**	**36,165**

(ii) Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its members. Under AASB 15, the assessment will be based on whether the Group has satisfied its performance obligations under the contract.

Fee income earned or expenses incurred which are associated with the origination of loans and advances or financial liabilities are deferred and form part of the amortised cost of the asset or liability and result in an adjustment to the effective interest rate method.

Transaction fees, payment service income, write-offs recovered and other non interest income are recognised at a point in time in which the transaction takes place and the related performance obligation has been completed.

Insurance commissions are recognised once the performance obligation is satisfied. Insurance commissions which are earned on an on-going basis after an initial successful customer referral are required to be recognised as a contract asset under AASB 15. The Group's performance obligations are to introduce or refer successful insurance policy applications. The performance obligations are therefore satisfied at the point in time the policy is placed by the provider. Cash is received each month based on the premium paid by the client in the previous month. Trail ceases once the policy is terminated.

On initial recognition a contract asset is recognised, representing management's estimate of the variable consideration to be received from the completion of this performance obligation. The Group uses the 'expected value' method of estimating the variable consideration. The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of the initial application (i.e. 1 July 2018). Therefore, comparative periods have not been restated. Under the previous accounting policy revenue was recognised when the general insurance trailing commissions are received or receivable. Of the Insurance Commissions revenue recognised in FY 2019, $400,000 relates to general insurance trailing commissions recognised under AASB 15.

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Non-Interest Income				
Loan fees	1,238	1,332	1,179	1,208
Transaction fees	2,792	3,176	2,792	3,176
Insurance commissions	1,377	1,056	1,377	1,056
Payment Systems Income	1,337	1,247	1,337	1,247
Write-offs recovered	242	231	242	231
Other non-interest income	120	140	2,296	2,751
Total non-interest income	**7,106**	**7,182**	**9,223**	**9,669**
Total Net Operating Income	**47,791**	**45,881**	**47,754**	**45,833**

B2 TAX

a) Income Tax

The income tax expense or income for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

	Consolidated		Parent	
	2019	2018	2019	2018
Numerical reconciliation of income tax expense to prima facie tax payable:	$'000	$'000	$'000	$'000
Profit from continuing operations before income tax expense	12,539	12,915	12,539	12,915
Prima facie tax calculated at 30% payable on the profit (2018: 30%)	3,762	3,874	3,762	3,874
Add tax effect of:				
Imputation credits	(9)	(9)	(9)	(9)
Sundry items	(78)	129	(78)	129
(Over)/Under-provision for income tax in prior year	(1)	(271)	(1)	(271)
Income tax attributable to profit	**3,674**	**3,723**	**3,674**	**3,723**
Current tax charge	4,092	3,097	4,092	3,097
Deferred Tax	(418)	626	(418)	626
	3,674	**3,723**	**3,674**	**3,723**

b) Deferred Tax Assets and Liabilities

The balance comprises temporary differences attributable to:

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Deferred tax assets				
Plant, property and equipment	88	-	88	-
Loan provisions	1,212	710	1,212	710
Employee leave benefits	937	891	937	891
Accrued expenses	216	41	216	41
Other	48	48	48	48
	2,501	1,690	2,501	1,690
Deferred tax liabilities				
Other Financial Asset	(168)	(168)	(168)	(168)
Property Plant and Equipment	-	(219)	-	(219)
Other	(267)	(9)	(267)	(9)
	(435)	(396)	(435)	(396)
Net deferred tax assets	2,066	1,294	2,066	1,294
Movements:				
Opening balance at 1 July	1,294	2,214	1,294	2,214
Credited/(charged) to the income statement	418	(626)	418	(626)
Credited/(charged) to other comprehensive income	-	(294)	-	(294)
Closing balance at 30 June	1,712	1,294	1,712	1,294
Deferred tax assets to be recovered after more than 12 months	69	89	69	89
Deferred tax assets to be recovered within 12 months	2,238	1,601	2,238	1,601
	2,307	1,690	2,307	1,690
Deferred tax liabilities to be recovered after more than 12 months	-	-	-	-
Deferred tax liabilities to be recovered within 12 months	178	396	178	396
	178	396	178	396

The deductible temporary differences and tax losses do not expire under current tax legislation. The Group has not tax losses carried forward.

c) Franking Account

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

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Franking account balance as at the end of the financial year at 30% (2018: 30%)	45,383	41,054	45,383	41,054
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,056	4,316	2,056	4,316
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	13	13	13	13
Franking account balance for future reporting periods	**47,452**	**45,383**	**47,452**	**45,383**

B3 CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the consolidated statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in values.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents net of outstanding bank overdrafts.

a) Parent and Consolidated Reconciliations of cash

For the purposes of the consolidated statement of cash flows, cash includes cash on hand, cash equivalents and 'at call' deposits, net of overdrafts with other financial

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash on hand	11,987	11,454	6,119	6,195
Short term deposits	53,761	68,779	53,762	68,779
Total cash and cash equivalents	**65,748**	**80,233**	**59,881**	**74,974**

The entity's exposure to interest rate risk is discussed in Note C5. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the consolidated statement of cash flows:

- customer deposits in and withdrawals from savings, money market and other deposit accounts;
- sales and purchases of maturing certificates of deposit; and
- provision of member loans and the repayment of such loans.

c) Reconciliation of cash flow from operations with profit after income tax

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Profit after income tax	8,864	9,192	8,865	9,192
Non-cash flows in profit after income tax:				
Net movement in revaluation of property, plant and equipment and investments	-	686	-	686
Amortisation of Intangible Assets	675	424	675	424
Amortisation of Debt Raising facility	-	6	-	6
Depreciation	745	1,030	745	1,030
Net movement in Provision for loan impairment	(94)	(95)	(94)	(95)
Changes in assets and liabilities:				
(Increase) in member loans (gross)	(137,971)	(79,919)	(169,871)	(79,919)
(Increase)/decrease in receivables	2,415	3,429	2,519	3,240
(Increase)/decrease in other assets	(1,647)	(290)	(1,647)	(289)
(Increase)/decrease in deferred tax asset	(616)	618	(616)	618
Increase/(decrease) in provisions	155	45	155	45
Increase/(decrease) in deposits	103,401	92,434	103,401	92,434
Increase/(decrease) in income taxes payable	2,036	(1,220)	2,036	(1,220)
Increase/(decrease) in deferred tax liability	218	(302)	218	(302)
Increase/(decrease) in other borrowings (securitisation)	-	-	31,187	1,481
Increase/(decrease) in trade and other payables	2,061	(5,426)	2,061	(5,431)
Net cash provided by (used in) operating activities	**(19,758)**	**20,612**	**(20,366)**	**21,900**

d) Reconciliation of liabilities rising from financing activities

	Consolidated Subordinated Debt $'000	Parent Subordinated Debt $'000
Balance at 1 July 2017	**3,994**	**3,994**
Cash flows		
Proceeds from issue	**-**	**-**
Repayments	**(3,994)**	**(3,994)**
Balance at 30 June 2018	**-**	**-**
Cash flows		
Proceeds from issue	**-**	**-**
Repayments	**-**	**-**
Balance at 30 June 2019	**-**	**-**

C BANKING ACTIVITIES AND RISK MANAGEMENT

C1 DEPOSITS

All member deposits are initially recognised at the fair value of the amount received adjusted for any transaction costs. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest expense on savings is brought to account on an accrual basis. Interest is recognised on an effective interest basis.

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Member call deposits (including members' shares)	781,960	766,654	781,960	766,654
Member term deposits	590,598	502,503	590,598	502,503
Total Deposits	**1,372,558**	**1,269,157**	**1,372,558**	**1,269,157**

a) ***Deposit Maturity analysis***

At call	781,960	766,654	781,960	766,654
Not longer than 3 months	261,048	224,498	261,048	224,498
Longer than 3 months and not longer than 6 months	136,394	122,827	136,394	122,827
Longer than 6 months and not longer than 12 months	129,830	109,089	129,830	109,089
Longer than 12 months	63,326	46,089	63,326	46,089
	1,372,558	**1,269,157**	**1,372,558**	**1,269,157**

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST

Loans and advances to members, including loans to Key Management personnel, are assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, inclusive of loss allowance. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Note: At the parent level the receivables from the Securitised trust attributable to the Class B notes do not meet the "Solely Payments of Principal and Interest "criteria under AAAB 9. These are therefore carried at Fair Value through Profit and Loss. As of 30 June 2019 the Fair Value of these receivables approximated the amortised cost value. These amounts eliminate on consolidation.

	Consolidated		Parent	
	2019	2018	2019	2018
Loans and advances to members	**$'000**	**$'000**	**$'000**	**$'000**
Personal Loans	70,517	73,109	70,517	73,109
Mortgage Loans	1,059,104	935,006	1,059,104	935,006
Commercial Loans	126,863	113,502	126,863	113,502
Revolving Credit	28,302	25,198	28,302	25,198
Total loans and advances	**1,284,786**	**1,146,815**	**1,284,786**	**1,146,815**
Total provision for impairment	(4,042)	(2,705)	(4,042)	(2,705)
Net loans and advances to members	**1,280,744**	**1,144,110**	**1,280,744**	**1,144,110**
Notes receivable from securitisation trust at amortised cost	-	-	170,600	138,700
Net loans, advances and notes from securitisation trust	**1,280,744**	**1,144,110**	**1,451,344**	**1,282,810**

a) Impairment of loans and advances

From 1 July 2018, the Group assesses the impairment of loans and advances on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further details are included in Change in significant accounting polices i) AASB 9 Financial Instruments.

The collective assessment takes account of impairment that is likely to be present in the portfolio utilising the a new 'expected credit loss' (ECL) model. The model groups financial instruments into loan sub-portfolios that exhibit similar characteristics with further categorisation of the loan book into 12 months ECL and lifetime ECL. The 12 months ECL is from the date a financial asset is first recognised ("Stage 1"), lifetime ECL if the credit risk on that financial asset has significantly increased since the initial recognition ("Stage 2") and for assets that are assessed as credit impaired ("Stage 3") are included in individually assessed allowances. Refer to Change in significant accounting polices i) AASB 9 Financial Instruments for details of how the model is calculated and how the movement in credit risk is determined.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'write-offs recovered'.

Refer to Change in significant accounting polices i) AASB 9 Financial Instruments for details on the Groups write-off policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

C2 LOANS AND ADVANCES TO MEMBERS (Continued)

a) Impairment of loans and advances (Continued)

Provision for impairments on loans and advances to members

	Parent and Consolidated			
	Stage 1	Stage 2	Stage 3	
	12-mth ECL Collective Provision	Lifetime ECL not credit impaired Collective Provision	Lifetime ECL credit impaired Specific Provision	Total
	$'000	$'000	$'000	$'000
At 1 July 2018	2,798	122	1,178	4,098
Transferred to 12 months ECL collectively assessed	41	(41)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(31)	31	-	-
Transfer to lifetime ECL credit impaired	-	(122)	122	-
New and increased provisions net of releases	(5)	178	831	1,004
Impaired loans written off	-	-	(1,060)	(1,060)
At 30 June 2019	**2,803**	**168**	**1,071**	**4,042**

Provision for impairments on loans and advances to members

	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial Loans	Revolving Credit	Total
	2019	2019	2019	2019	
	$'000	$'000	$'000	$'000	$'000
At 1 July 2018	1,046	1,059	584	16	**2,705**
Charge/(Recovery) for the year	684	557	(166)	262	**1,337**
At 30 June 2019	**1,730**	**1,616**	**418**	**278**	**4,042**
Individual impairment	-	972	99	-	**1,071**
Collective impairment	1,730	644	319	278	**2,971**
	1,730	**1,616**	**418**	**278**	**4,042**
Gross amount of loans in arrears	2,919	28,945	2,899	663	35,426

	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial loans	Revolving Credit	Total
	2018	2018	2018	2018	
	$'000	$'000	$'000	$'000	$'000
At 1 July 2017	578	1,049	1,116	57	**2,800**
Charge/(Recovery) for the year	468	10	(532)	(41)	**(95)**
At 30 June 2018	**1,046**	**1,059**	**584**	**16**	**2,705**
Individual impairment	-	737	441	-	**1,178**
Collective impairment	1,046	322	143	16	**1,527**
	1,046	**1,059**	**584**	**16**	**2,705**
Gross amount of loans in arrears	4,874	23,366	2,529	659	31,428

	Consolidated		Parent	
	2019	2018	2019	2018
b) Loan impairment expense	**$'000**	**$'000**	**$'000**	**$'000**
Change in provision for impairment of loans & advances net of release	1,009	736	1,009	736
	1,009	**736**	**1,009**	**736**

	Parent and Consolidated	Parent and Consolidated
	2019	2018
c) Loan Maturity Analysis	**$'000**	**$'000**
Not longer than 3 months	7,724	8,984
Longer than 3 months and not longer than 12 months	16,860	7,979
Longer than 12 months and not longer than 5 years	100,261	107,757
Longer than 5 years	1,159,941	1,022,095
Total gross loans and advances to members	**1,284,786**	**1,146,815**
d) Loan Security dissection		
Secured by mortgage over Commercial property	117,777	84,088
Secured by mortgage over real estate	1,098,452	978,176
Partly secured by goods mortgage	50,977	47,531
Wholly unsecured	17,580	37,020
Total gross loans and advances to members	**1,284,786**	**1,146,815**

e) Loan to valuation ratio

The Group accepts a number of methods to value collateral for supporting loans. Real estate is valued utilising a licensed panel of valuers, the purchase price of arms length residential sales, Valuer General notices and market appraisals from real estate agents (a lower loan to valuation ratio is applied). Motor vehicles are valued by reference to an independent valuation guide.

It is impractical to provide a period end valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the loan to valuation ratio on loans secured by mortgages over real estate, on a portfolio basis is as follows:

Loan to valuation ratio of less than 80%	977,754	874,797
Loan to valuation ratio of more than 80% but mortgage insured	154,071	129,912
Loan to valuation ratio of more than 80% but not mortgage insured	56,987	57,556
Total loans secured by mortgage over real estate and commercial property	**1,188,812**	**1,062,265**

C2 LOANS AND ADVANCES TO MEMBERS (Continued)

f) Concentration of loans

- There were no loans to individual or related groups of members which exceed 10% of member funds in aggregate.
- There is no concentration of loans to individual members employed in a particular industry.
- Loans to members are concentrated solely in Australia and principally in Northern NSW.

	Parent and Consolidated 2019	Parent and Consolidated 2018
	$'000	$'000
New South Wales	1,202,388	1,082,662
Other	82,398	64,153
Total	**1,284,786**	**1,146,815**

g) Off-Balance sheet arrangements

The Group has arrangements with Integris Securitisation Services Pty Limited and Trinity Limited (arrangements with Trinity Limited ceased on 26 March 2018) whereby it acts as an agent to promote loans on their behalf, for on sale to an investment trust. The Group also manages the portfolio on behalf of the trust. The amount of securitised loans under management as at 30 June 2019 is $778,690 (2018: $863,124).

h) Self Securitisation

The Company has established the Trust to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Trust is in substance controlled by the Company. Accordingly, the Trust is consolidated into the Company's financial statements. The Company sells the rights to future cash flows of eligible residential home loans into the Trust and receives funds equal to the aggregated outstanding balances on all loans which the Trust has purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trust and both are fully owned by the Company. Whilst the rights to the underlying cash flows have been transferred, the Company has been appointed to service the loans and must continue to manage the loans as if it were the lender. Accordingly, the mortgage loans and associated financial liability from the Trust on transfer of the loans are recognised in the Company's financial statements. During the financial year, an additional balance of $42,097,593 loans was transferred to the trust and the balance of securitised loans is $165,077,712 (2018: $133,890,848).

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
	$'000	$'000	$'000	$'000
Loans assigned to the securitisation trust	-	-	165,078	133,891

C3 OTHER FINANCIAL ASSETS

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Equity Securities designated as FVOCI	$'000	$'000	$'000	$'000
Australian Settlements Limited	3	3	3	3
Auswide Bank Ltd	4	4	4	4
Indue Ltd	872	872	872	872
SocietyOne Holdings Pty Ltd	500	500	500	500
	1,379	1,379	1,379	1,379
Contract assets				
Insurance contracts	859	-	859	-
	859	-	859	-
Total Other Financial Assets	**2,238**	**1,379**	**2,238**	**1,379**

Equity Securities designated as at FVOCI

At 1 July 2018, the Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. In 2018, these investments were classified as available-for-sale, see *Note A, Change in significant accounting policies i)* . Other Financial Asset investments are non-derivative financial assets, principally equity securities. After initial recognition Other Financial Asset securities are measured at fair value with gains or losses being recognised as other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other comprehensive income.

The Group has classified investments in unlisted securities as Other Financial Assets investments and movements in fair value are recognised directly in equity. The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For equity investments with no active market, fair values are estimated on the basis of the actual or forecasted financial position and results of the underlying assets or net assets taking consideration their risk profile. Refer to Note C5 (d).

The fair value of the shareholding of Indue Ltd and Australia Settlements Limited was based on a Net Asset Valuation basis performed in 2019. Indue Ltd and Australia Settlements Limited were created to supply services to mutual banks, credit unions & building societies, they do not have an independent business focus. The shares in Indue Ltd and Australia Settlements Limited are held to enable the Group to receive essential banking services.

SocietyOne is an unlisted finance company and the shares are valued at fair value using recent trade information and other available market information.

Auswide Bank Ltd is listed on the Australia Stock Exchange (ASX: ABA) and shares are valued at market price as at the balance date.

The total of effect of valuation changes performed on Other Financial Assets to Other Comprehensive Income (OCI) was immaterial to the Group.

C4 INVESTMENTS AT AMORTISED COST

The effect of initially applying AASB 9 in the Groups financial instruments is described in Note A i). The group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The assets are subject to impairment under AASB 9. The estimated provision for impairment losses was determined to be immaterial.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as Investments at Amortised Cost as they meet the AASB 9 SPPI test and when the Group has the positive intention and ability to hold to maturity. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between the initially recognised amount and the maturity amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

C4 INVESTMENTS AT AMORTISED COST (Continued)

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
	$'000	$'000	$'000	$'000
ADI debt investments	157,561	163,725	157,561	163,725
Total investments at amortised cost	**157,561**	**163,725**	**157,561**	**163,725**

C5 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, liquidity risk and operational risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity in the case of interest rate risk and ageing analysis for credit risk.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Asset and Liability Committee (ALCo), the Credit Committee, the Product & Fee Committee, and the Operational Risk & Compliance Committee and under policies approved by the Board after recommendation from the Audit Committee or Risk Committee.

a) Credit Risk

Credit risk is the risk that the Group will incur a loss when its members, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits for individual counterparties, geographical and industry concentrations and monitoring these exposures.

The Group has established a credit control review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Credit limits are established by use of a comprehensive assessment process. The credit control review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

(i) Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Credit risk exposures relating to on balance sheet assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	65,748	80,233	59,881	74,974
Trade and other receivables	2,566	3,827	2,911	4,277
Loans and advances to members	1,284,786	1,146,815	1,455,386	1,285,515
Other financial assets	2,238	1,379	2,238	1,379
Investments at amortised cost	157,561	163,725	157,561	163,725
Total on balance sheet	1,512,899	1,395,979	1,677,976	1,529,870
Credit risk exposures relating to off balance sheet assets:				
Guarantees	2,679	1,639	2,679	1,639
Loan Repayments in advance	82,965	67,231	82,965	67,231
Undrawn loan commitments	61,508	61,153	61,508	61,153
Total off balance sheet	147,152	130,023	147,152	130,023
Total on and off balance sheet	1,660,051	1,526,002	1,825,129	1,659,893

(ii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the member. Guidelines are in place with regards to the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending, charges over real estate properties and inventory; and
- for retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The terms and conditions are specific to individual loan and security types.

It is the Group's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not occupy repossessed properties for business use.

Maximum exposure to credit risk taking into account the estimated FV of collateral held:

	Consolidated 2019	Estimated FV of collateral held		
	Exposure to credit risk	Property	Total Collateral	Net Exposure
Credit risk exposures relating to on balance sheet assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	65,748	0	0	65,748
Trade and other receivables	2,566	0	0	2,566
Loans and advances to members	1,284,786	2,301,719	2,301,719	0
Other financial assets	2,238	0	0	2,238
Investments at amortised cost	157,561	0	0	157,561
Total on balance sheet	1,512,899	2,301,719	2,301,719	228,113
Credit risk exposures relating to off balance sheet assets:				
Guarantees	2,679	0	0	2,679
Assets	82,965	0	0	82,965
Undrawn loan commitments	61,508	0	0	61,508
Total off balance sheet	147,152	0	0	147,151
Total on and off balance sheet	1,660,051	2,301,719	2,301,719	375,264

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(ii) Collateral (Continued)

Maximum exposure to credit risk taking into account the estimated FV of collateral held:

	Consolidated 2018			
		Estimated FV of collateral held		
	Exposure to credit risk	Property	Total Collateral	Net Exposure
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	80,233	0	0	80,233
Trade and other receivables	3,827	0	0	3,827
Loans and advances to members	1,146,815	1,901,591	1,901,591	0
Other financial assets	1,379	0	0	1,379
Investments at amortised cost	163,725	0	0	163,725
Total on balance sheet	1,395,979	1,901,591	1,901,591	249,164
Credit risk exposures relating to off balance sheet assets:				
Guarantees	1,639	0	0	1,639
As at the date of the merger, fair value of the assets and liabilities of Holiday Coast Credit U	67,231	0	0	67,231
Undrawn loan commitments	61,153	0	0	61,153
Total off balance sheet	130,024	0	0	130,023
Total on and off balance sheet	1,526,003	1,901,591	1,901,591	379,187

During the financial period the Group realised $563,800 (2018:$15,000) of real estate and other assets through the enforcement of security. As at period-end, the market value of assets in possession by the Group was $8,500 (2018:$565,000). The Group uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

(iii) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment under Stage 2 or Stage 3 of the ECL calculation.

(iv) Impairment assessment

The main considerations for loan impairment assessment are as follows:

- whether any payments of principal or interest are overdue; or
- there are any known difficulties in the cash flows of counterparties; or
- infringements of the original terms of the contract.

The Group addressed impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(v) Collectively assessed allowances

Allowances are assessed collectively for losses in sub-portfolios of loans and advances that are not individually significant and for individually significant loans and advances where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio being separately reviewed. The grouping for collective impairment assessment is Personal Loans, Mortgage Loans, Commercial Loans and Revolving Credit.

Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for calculating the length of the emergence period which can extend for as long as eighteen months.

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(vi) Individually assessed allowances

The Group determines specific allowances loans where there has been a significant decline in the credit quality and there is evidence of specific impairment. See Note A i) AASB 9 Financial Instrument for further details.

(vii) Analysis of age of financial assets that are past due but not impaired

	Parent and Consolidated				
30 June 2019	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	2,063	571	285	-	2,919
Mortgage Loans	23,488	2,371	727	2,359	28,945
Commercial Loans	1,821	1,012	7	59	2,899
Revolving Credit	386	63	214	-	663
Total	**27,758**	**4,017**	**1,233**	**2,418**	**35,426**

	Parent and Consolidated				
30 June 2018	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	2,730	583	231	-	3,544
Mortgage Loans	17,424	2,047	1,215	982	21,668
Commercial Loans	790	22	-	199	1,011
Revolving Credit	259	34	13	-	307
Total	**21,203**	**2,686**	**1,459**	**1,181**	**26,529**

(viii) Analysis of financial assets individually determined to be impaired

Parent and Consolidated	**2019**			**2018**		
	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Loans and advances to members	6,036	1,071	4,965	6,007	1,178	4,829
Financial assets individually assessed as impaired	**6,036**	**1,071**	**4,965**	**6,007**	**1,178**	**4,829**

(ix) Credit quality of financial assets

The credit quality of investments that are neither past due nor impaired can be assessed by reference to external credit ratings (if available):

30 June 2019	**Stage 1 12-mth ECL Collective Provision**		**Stage 2 Lifetime ECL not credit impaired Collective Provision**		**Stage 3 Lifetime ECL credit impaired Specific Provision**	
	Consolidated	**Parent**	**Consolidated**	**Parent**	**Consolidated**	**Parent**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Advances	1,273,847	1,273,847	5,783	5,783	5,156	5,156
	1,273,847	**1,273,847**	**5,783**	**5,783**	**5,156**	**5,156**

- ECL stage 1: Corresponds to a senior investment grade to investment grade security with a Standard and Poor's rating of AAA to BBB-;
- ECL Stage 2: Corresponds to a sub-investment grade security with a Standard and Poor's rating of BB+;
- ECL stage 3: Corresponds to a security in default with a Standard and Poor's rating of D.

Other Financial Assets	**Consolidated**		**Parent**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
AAA	2,002	2,003	2,002	2,003
AA	132,814	112,357	126,958	107,106
A	42,323	62,583	42,323	62,583
BBB	22,966	25,040	22,966	25,040
Unrated	23,192	41,967	23,192	41,967
	223,297	243,950	217,441	238,699

Other Financial Assets are subject to ECL provision but the Group has assessed the amount as immaterial

The portfolio composition of loans and advances to members are as follows:

	Parent and Consolidated			
30 June 2019	Housing	Commercial	Personal	Total
	$'000	$'000	$'000	$'000
Loans	1,059,104	126,863	70,517	1,256,484
Revolving Credit and Overdrafts	2,372	13,497	12,433	28,302
Total Balances	**1,061,476**	**140,360**	**82,950**	**1,284,786**
Percentage of portfolio	**82.6%**	**10.9%**	**6.5%**	**100.0%**
Maximum percentage under policy	**100.0%**	**17.0%**	**30.0%**	

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(ix) Credit quality of financial assets(Continued)

30 June 2018	Parent and Consolidated Housing $'000	Commercial $'000	Personal $'000	Total $'000
Loans	935,006	113,502	73,109	1,121,617
Revolving Credit and Overdrafts	3,622	10,135	11,441	25,198
Total Balances	**938,627**	**123,637**	**84,550**	**1,146,815**
Percentage of portfolio	**81.8%**	**10.8%**	**7.4%**	**100.0%**
Maximum percentage under policy	**100.0%**	**17.0%**	**30.0%**	

b) Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has wholesale funding sources and emergency funding tools in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

The Group maintains a portfolio of high quality liquid assets that can be easily liquidated in the event of an unforeseen interruption to cash flow. The Group also has lines of credit that it can access to meet its liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank deposits available for immediate sale.

In order to minimise the risk of the Group's liquidity ratio falling below minimum regulatory limits the Board has determined a target liquidity ratio of 12%. In the event that the Group's liquidity ratio falls below 12%, or is considered to be at risk of falling below that level, specific remedial measures are required to be taken by the Board and management.

The liquidity ratio during the year was as follows:

	2019 **%**	**2018** **%**
30 June	14.34	15.25
Average during the period	14.87	15.03
Highest	16.39	16.57
Lowest	13.46	13.83

Maturities of financial liabilities

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the expected maturity date or settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

Parent & Consolidated

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
As at 30 June 2019	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	781,961	261,048	266,223	63,326	-	1,372,558
Trade and other payables	16,662	-	-	-	-	16,662
Subordinated debt	-	-	-	-	-	-
Total financial liabilities	**798,623**	**261,048**	**266,223**	**63,326**	**-**	**1,389,220**
Contingent liabilities	2,679	-	-	-	-	2,679
Commitments	122,930	21,542	243	1,455	-	146,170
Total other liabilities	**125,609**	**21,542**	**243**	**1,455**	**-**	**148,849**

Parent & Consolidated

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
As at 30 June 2018	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	766,654	224,498	231,916	46,089	-	1,269,157
Trade and other payables	14,491	-	-	-	-	14,491
Subordinated debt	-	-	-	-	-	-
Total financial liabilities	**781,145**	**224,498**	**231,916**	**46,089**	**-**	**1,283,648**
Contingent Liabilities	1,639	-	-	-	-	1,639
Commitments	106,886	21,498	201	1,237	-	129,822
Total other liabilities	**108,525**	**21,498**	**201**	**1,237**	**-**	**131,461**

i) The table excludes a parent liability of $165,077,712.33 (2018: $133,890,848) over 5 years for self securitised mortgage loans referred to in Note C2 h)

C5 FINANCIAL RISK MANAGEMENT (Continued)

c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a daily basis and hedging strategies are considered to ensure positions are maintained within the established limits.

(i) Value at Risk (VaR)

VaR is a statistical measure of the potential loss expected due to a change in market conditions arising from currently held positions, given a certain confidence level and holding period. VaR is presented as a dollar amount and is based on historically observed volatility. The holding period represents the implied liquidation period of the portfolio. It is the number of days required to either liquidate a portfolio or hedge the risk within the portfolio. The observation period is the number of days over which the previous market data (interest rates) is observed to predict the future. The 99% confidence level is the degree of confidence with which the VaR number will not be exceeded. A 99% confidence level implies that for 99 out of 100 observations, the market value based loss will not be greater than the VaR number.

As a normal distribution is used, the standard deviation of the portfolio is multiplied by 2.33 to achieve a 99% confidence level. A proxy set of interest rates must be used to estimate the changes in the yield curve. The proxy curve used by the Group is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

Since VaR is an integral part of the Group's interest rate risk management, VaR limits have been established for all non-trading operations and exposures are reviewed monthly against the limits by management.

	Consolidated **2019** **$'000**	**2018** **$'000**	**Parent** **2019** **$'000**	**2018** **$'000**
VaR exposure at 30 June	149	194	149	194
Average monthly VaR exposure	155	307	155	307
Maximum monthly VaR exposure	191	370	191	370
Minimum monthly VaR exposure	111	194	111	194

(ii) Sensitivity

The following table demonstrates the sensitivity to a reasonable change in interest rates, with all other variables held constant, of the Group's statement of profit and loss and other comprehensive income. This methodology was also applied in previous years.

The sensitivity of the statement is the effect of the assumed changes in interest rates on the net income for one year, based on floating rate non-trading financial assets and liabilities held at year end.

1% shift upwards of interest rate impact to income statement	589	(453)	589	(453)
1% shift downwards of interest rate impact to income statement	(589)	453	(589)	453

d) Fair Value Measurements of financial assets and liabilities

AASB 13 Financial Instruments: Disclosures, requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

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

The majority of financial assets and financial liabilities of the Group are carried at amortised cost. While this is the value at which the Group expects the assets to be realised and the liabilities to be settled , the table below includes the estimated fair values as at 30 June:

30 June 2019	Consolidated Carrying value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value $'000
Financial assets					
Cash and cash equivalents	65,748	65,748	-	-	65,748
Investments at Amortised cost	157,561	-	157,561	-	157,561
Loans and advances	1,280,744	-	1,280,744	-	1,280,744
Other Financial assets	2,238	4	-	2,234	2,238
Total financial assets	1,506,290	65,752	1,438,305	2,234	1,506,290
Financial liabilities					
Deposits	1,372,558	-	1,372,558	-	1,372,558
Total financial liabilities	1,372,558	-	1,372,558	-	1,372,558

30 June 2018	Consolidated Carrying value $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value $'000
Financial assets					
Cash and cash equivalents	80,233	80,233	-	-	80,233
Investments at Amortised cost	163,725	-	163,725	-	163,725
Loans and advances	1,144,110	-	1,144,110	-	1,144,110
Other Financial assets	1,379	4	-	1,375	1,379
Total financial assets	1,389,447	80,237	1,307,835	1,375	1,389,447
Financial liabilities					
Deposits	1,269,157	-	1,269,157	-	1,269,157
Total financial liabilities	1,269,157	-	1,269,157	-	1,269,157

C5 FINANCIAL RISK MANAGEMENT (Continued)

d) Fair Value Measurements of financial assets and liabilities (Continued)

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

Cash and cash equivalents

The carrying values of cash, cash equivalents, liquid assets, and receivables due from other financial institutions approximate their fair value as they are short term in nature or are receivable on demand.

Investments at amortised cost

The fair value of investments at amortised cost was calculated using the effective interest rate method. The amortised cost carrying value approximates fair value and they are considered level 2 under the fair value measurement hierarchy.

Loans and advances to members

The carrying value of loans, advances and other receivables is net of specific provisions for impairment. These are carried at amortised cost. The amortised cost carrying value approximates fair value and they are considered level 2 under the fair value measurement hierarchy.

Other financial assets

Investments in unlisted and listed equity investments with a fair value of $1,378,613 (2018: $1,378,911) were included in Other Financial Asset Investments as at 30 June 2019.

All Other Financial Assets other than Auswide Bank Ltd (level 1) are categorised as level 3 within the fair value hierarchy of AASB 13. There is no immediate intention to dispose of these investments.

Deposits

Deposits are carried at amortised cost. The amortised cost carrying value approximated fair value and are considered level 2 under the fair value hierarchy.

As at 30 June 2019 and 2018 there were no transfers of securities between levels.

e) Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

The Group manages these risks on a daily basis through the operational responsibilities of Executive and Senior management and the functioning of the Operational Risk & Compliance Committee (ORCC) under policies approved by the Board after recommendation from the Audit Committee or Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

C6 TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts owed to the Group for services provided, accrued interest on loans and advances, investments, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables includes interest accrued on investments which is received on maturity. Amounts due for services provided are normally settled in 30 days.

Trade and other receivables are initially recorded at fair value including transaction costs. At reporting date, trade and other receivables are measured at amortised cost. These have been assessed for AASB 9 ECL and the amount is immaterial.

	Consolidated		Parent	
		* restated		* restated
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued Interest and other accrued income	207	230	207	230
Sundry debtors and settlement accounts	1,502	3,096	1,502	3,096
Intercompany receivable from securitisation trust	-	-	345	450
Prepayments	857	501	857	501
Total trade and other receivables	**2,566**	**3,827**	**2,911**	**4,277**

There were no receivables past due at balance date.

With the exception of the intercompany receivable from the securitisation trust, the majority of trade and other receivables are collectable within 12 months.

* During the period a misstatement in regards to prior period sundry debtor and settlement accounts was identified to the total of $1,152,085. The misstatement has been adjusted to correct the comparative from $4,247,930 to $3,095,845. See note F5 for further details.

C7 TRADE AND OTHER PAYABLES

Trade payables and other payables are carried at amortised cost and represent accrued interest on deposits and liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade liabilities are normally settled within 30 days.

	Consolidated		Parent	
		* restated		* restated
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Accrued interest payable	6,629	5,825	6,629	5,825
Sundry creditors and accrued expenses	1,825	2,080	1,825	2,080
Clearing accounts	8,208	6,586	8,208	6,586
Total trade and other payables	**16,662**	**14,491**	**16,662**	**14,491**

* During the period a misstatement in regards to prior period clearing accounts was identified to the total of $109,635. The misstatement has been adjusted to correct the comparative from $6,696,042 to $6,586,407. See note F5 for further details.

D CAPITAL MANAGEMENT

D1 CAPITAL MANAGEMENT

The Group maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority (APRA).

The primary objectives of the Group's capital management activities are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains healthy capital ratios in order to support its activities.

During the past year the Group has complied in full with all its externally imposed capital requirements.

Although the Group actively monitors and manages its risk exposure in each of these areas, the Group does not calculate and determine its minimum capital needs by allocating a specific value or 'capital charge' to each type of risk. Rather, the Board has resolved that the Group will maintain, based on the outcomes of its annual capital planning processes, an 'internal minimum' target capital ratio (TCR) of 14%.

For capital adequacy purposes, authorised deposit-taking institutions must hold a minimum amount of Common Equity Tier 1 capital and Additional Tier 1 capital. In addition, they may include an amount of Tier 2 capital as part of their required capital holdings, up to the limits specified in the Prudential Standard *APS 110: Capital Adequacy* .

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 capital comprises the highest quality capital components. Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an institution as a going concern.

For capital adequacy purposes, the capital base at Level 1 and Level 2 is defined as the sum of Common Equity Tier 1, Additional Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

	Consolidated	Consolidated
	2019	2018
	$'000	$'000
Common Equity Tier 1 Capital	117,792	109,213
Additional Tier 1 Capital	-	-
Tier 2 Capital	3,401	3,085
Total Capital	**121,193**	**112,298**
Risk Weighted Assets	766,067	700,627
Risk-based Capital Ratio	**15.82%**	**16.03%**

The Group has been in compliance with the capital requirements imposed by APRA throughout the year.

	Consolidated		Parent	
	2019	2018	2019	2018
D2 REDEEMABLE MEMBER SHARES	$'000	$'000	$'000	$'000
Opening balance	678	657	678	657
Transfer from/(to) retained earnings	30	21	30	21
Closing balance	**708**	**678**	**708**	**678**

Under the *Corporations Act 2001* member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated. No dividends were paid or are payable to the relevant holders.

D3 RESERVES

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Other reserves	**$'000**	**$'000**	**$'000**	**$'000**
Land and Buildings revaluation reserve	1,058	1,058	1,058	1,058
Other Financial Asset investments revaluation reserve	396	396	396	396
Total other reserves	**1,454**	**1,454**	**1,454**	**1,454**
Movements:				
Land and Buildings revaluation reserve				
Opening balance	1,058	547	1,058	547
Movement in Land and Building revaluation reserve	-	511	-	511
Balance at end of year	**1,058**	**1,058**	**1,058**	**1,058**
Other Financial Asset investments revaluation reserve				
Opening balance	396	221	396	221
Movement in Other Financial Asset revaluation reserve	-	175	-	175
Balance at end of year	**396**	**396**	**396**	**396**

The Land & Buildings revaluation reserve records increments and decrements arising from the revaluation of land and buildings.

The Other Financial Asset investments revaluation reserve records investment in primarily equity investments that are not held for trading and are measured at fair value through other comprehensive income, where an irrecoverable election has been made by management. Amounts in the reserve are subsequently transfer to retained earnings, and not profit or loss, when the asset is derecognised. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

E EMPLOYEE BENEFITS

E1 EMPLOYEE BENEFITS

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
a) Employee benefits expense	**$'000**	**$'000**	**$'000**	**$'000**
Salaries and wages	14,329	13,326	14,329	13,326
Superannuation expense	1,251	1,172	1,251	1,172
Other employee benefits expense	2,809	2,389	2,809	2,389
	18,389	**16,887**	**18,389**	**16,887**

b) Provision for Employee benefits

Liabilities for wages, salaries and annual leave are expected to be settled within 12 months of the reporting date after the end of the period in which the employees render related service are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The liability for annual leave is recognised in the provision for annual leave.

The liability for long service leave is not expected to be settled within 12 months after the end of the period in which the employees render the related service recognised in the provision for long service leave and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the corporate bond rate at reporting date on national government bonds with terms to maturity that match, as closely as possible, to the estimated future cash flows.

Contributions are made by the Group to an employee's superannuation fund and are charged to the Statement of Profit or Loss and Other Comprehensive Income as incurred.

	Consolidated 2019	Consolidated 2018	Parent 2019	Parent 2018
Current				
Annual leave	1,218	1,102	1,218	1,102
Long service leave	1,406	1,397	1,406	1,397
Total current provisions	**2,624**	**2,499**	**2,624**	**2,499**
Non-current				
Long service leave	501	470	501	470
Total non current provisions	**501**	**470**	**501**	**470**
Total provisions	**3,125**	**2,969**	**3,125**	**2,969**

E2 RELATED PARTY DISCLOSURES

a) Remuneration of Key Management Personnel (KMP)

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any Director of that entity. Key Management Personnel has been taken to comprise the Directors and members of the Executive Management Team responsible for the day to day financial management and operational management of the Group.

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

	Consolidated and Parent 2019 $	Consolidated and Parent 2018 $
Short-term employee benefits	3,204,480	2,867,599
Superannuation contributions	221,734	187,583
Total remuneration of Key Management Personnel	**3,426,214**	**3,055,182**

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave, paid sick leave, profit-sharing and bonuses, and value of fringe benefits received, but excludes out of pocket expense reimbursements.

b) Loans to Key Management Personnel (KMP)

All loans disbursed to Key Management Personnel were approved on the same terms and conditions, which are applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with Key Management Personnel and have been assessed in the ECL model as part of the Stage 1 collective provision.

Key Management Personnel who are not directors 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 (a) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the Key Management Personnel.

	Consolidated and Parent 2019 $	Consolidated and Parent 2018 $
(i) The aggregate value of loans to Key Management Personnel as at balance date:	5,761,535	6,713,034
(ii) The total value of revolving credit facilities to Key Management Personnel as at balance date:	85,500	65,000
(iii) Less amounts drawn down and included in total loans above	(44,095)	(14,024)
Net revolving credit facilities available	**41,405**	**50,976**
Fixed term loans disbursed to Key Management Personnel during the year	42,000	1,166,000
Average balance of revolving credit facilities	46,006	29,292
Total loans disbursed to Key Management Personnel	**88,006**	**1,195,292**
Interest and other revenue earned on loans and revolving credit facilities to Key Management Personnel	201,718	205,698

c) Deposits from Key Management Personnel

	2019	2018
Total value of term and savings deposits from Key Management Personnel	731,539	725,484
Total interest paid on deposits to Key Management Personnel	5,175	9,098

Directors have received interest on deposits with the Group during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of the Group.

The Group's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

d) Other transactions of Key Management Personnel

There are no benefits paid or payable to the close family members of the Key Management Personnel.

Apart from the above transactions, there are no service contracts to which Key Management Personnel or their close family members that are an interested party.

F OTHER DISCLOSURES

F1 REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2019	2018	2019	2018
Remuneration of the auditor for:	$	$	$	$
● Statutory & Regulatory Audits	209,500	176,000	209,500	176,000
● Advisory Services	-	46,125	-	46,125
● Taxation Services	17,700	22,758	17,700	22,758
Total remuneration of auditors	**227,200**	**244,883**	**227,200**	**244,883**

F2 COMMITMENTS

To meet the financial needs of members, the Group enters into lease commitments. Even though these obligations may not be recognised on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

a) Operating Lease Commitments

The Group has entered into commercial leases on certain commercial properties from which branches operate. These leases have a remaining term of between one and ten years with a renewal option included at the end of the term of the lease in some of the agreements. There are no restrictions placed upon the Group by entering into these leases.

	Consolidated		Parent	
	2019	2018	2019	2018
Future minimum rentals payable under non-cancellable operating leases are as follows:	$'000	$'000	$'000	$'000
Not longer than 1 year	243	201	243	201
Longer than 1 and not longer than 5 years	1,455	1,237	1,455	1,237
Longer than 5 years	944	-	944	-
Total operating lease commitments	**2,642**	**1,438**	**2,642**	**1,438**

b) Undrawn Loan Commitments

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitment since most commitments to extend credit are contingent upon members maintaining specific standards. The Group monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

These commitments have been considered when estimating the overall ECL provisions for loans and advances. See note C2 a) for breakdown of ECL.

Loans Approved but not funded	21,542	21,498	21,542	21,498
Loan Repayments in advance	82,965	67,231	82,965	67,231
Undrawn lines of commitment	39,965	39,655	39,965	39,655
	144,472	**128,384**	**144,472**	**128,384**

F3 CONTINGENT LIABILITIES

Financial Guarantees

Letters of guarantee commit the Group to make payments on behalf of customers in the event of a specific act, generally related to contract performance. Guarantees carry the same credit risk as loans. The guarantees committed to by the Group are secured by term deposit and / or real property.

The amount guaranteed at balance date is limited to $2,678,705 (2018: $1,638,888).

F4 LAND AND BUILDINGS

Land and buildings are measured at fair value, based on periodic but at least triennial valuations by external independent valuers, less subsequent depreciation on buildings and less any impairment losses recognised after the date of revaluation. The fair value is reassessed prior to sale.

Any property revaluation increment is credited to the land and building revaluation reserve included in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of profit or loss and other comprehensive income, in which case the increase is recognised in profit or loss.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The Armidale head office property was last revalued based on an independent assessment by MVS National Valuations and Property Consulting as at June 2018.

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

	Consolidated		Parent	
	2019	2018	2019	2018
(a) Land and buildings	**$'000**	**$'000**	**$'000**	**$'000**
At valuation	3,003	3,000	3,003	3,000
Less accumulated depreciation	(53)	-	(53)	-
	2,950	**3,000**	**2,950**	**3,000**

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of land and buildings between the beginning and end of the current financial year are set out below.

2019	Parent and Consolidated Land & Buildings $'000
Balance at the beginning of the year	3,000
Additions	3
Depreciation expense	(53)
Carrying amount	**2,950**

2018	Parent and Consolidated Land & Buildings $'000
Balance at the beginning of the year	2,424
Revaluation increment	576
Carrying amount	**3,000**

F5 Correction of Errors

During 2019, the Group discovered that there were errors in clearing account balances. These errors related to an incorrect adjusting error that was made during the 2013 financial year as well as some unrecognised income and expenses from the settlement of card payments . As a consequence trade and other receivables, current tax assets, trade and other payables and retained earnings were overstated. The errors have been corrected by restating each of the affected financial statement line items for the prior periods. The following tables summarise the impacts on the Group's consolidated financial statements.

Consolidated statement of financial position

	Impact of correction of error		
1 July 2017	**As previously reported $'000**	**Adjustments $'000**	**As restated $'000**
Trade and other receivables	8,409	- 1,152	7,257
Current tax assets	436	313	749
Others	1,302,165	-	1,302,165
Total assets	1,311,010	- 839	1,310,171
Trade and other payables	20,027	- 110	19,917
Others	1,183,801	-	1,183,801
Total liabilities	**1,203,828**	**- 110**	**1,203,718**
Retained Earnings	97,306	- 730	96,576
Others	9,876	-	9,876
Total equity	**107,182**	**- 730**	**106,452**

30 June 2018	**As previously reported $'000**	**Adjustments $'000**	**As restated $'000**
Trade and other receivables	4,979	- 1,152	3,827
Current tax assets	1,650	313	1,963
Others	1,397,318	-	1,397,318
Total assets	1,403,947	- 839	1,403,108
Trade and other payables	14,601	- 110	14,491
Others	1,272,286	-	1,272,286
Total liabilities	**1,286,887**	**- 110**	**1,286,777**
Retained Earnings	106,477	- 730	105,747
Others	10,583	-	10,583
Total equity	**117,060**	**- 730**	**116,330**

There is no material impact on the Group's total operating, investing or financing cash flows for the year ended 30 June 2018. There was no material impact on the Group's Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018. Adjustments to the Parent accounts were consistent with adjustments made to the consolidated Group accounts seen in the table above.

F6 SUBSEQUENT EVENTS

Subsequent to balance date at 30 June 2019 Regional Australia Bank Ltd merged with Holiday Coast Credit Union Ltd, a Wauchope based Credit Union, pursuant to the Financial Sector (Transfer and Restructure) Act 1999(cth). Regulatory Approval was obtained from APRA for the merger effective from 1 July 2019. The primary reason for the merger was to deliver a strong and sustainable mutual financial institution in regional Australia. The acquired business is estimated to contribute $16.6 million in net interest income and $1.6 million in net profit to the group in a financial year based on 30 June 2019 results.

Identifiable assets and liabilities of Holiday Coast Credit Union Ltd as at the date of the merger were:

	Carrying Value $'000	**Fair Value on Merger $'000**
ASSETS		
Cash and cash equivalents	26,927	26,927
Financial assets at amortised cost	117,482	117,482
Loans and advances to members	480,934	480,934
Trade and other receivables	1,027	1,027
Other financial assets	77	77
Property, plant and equipment	3,465	3,465
Intangible Assets	338	338
Taxation assets	1,209	1,209
Total Assets	**631,459**	**631,459**
LIABILITIES		
Deposits from members	578,771	578,771
Trade and other payables	5,290	5,290
Provisions	1,553	1,553
Taxation liabilities	505	505
Total Liabilities	**586,119**	**586,119**
Fair Value of identifiable net assets attributable to Holiday Coast Credit Union Ltd	**45,340**	**45,340**

As at the date of the merger, fair value of the assets and liabilities of Holiday Coast Credit Union Ltd were determined to be equivalent to the carrying value.

DECLARATION BY DIRECTORS

The Directors of Regional Australia Bank Ltd (the Company) declare that in the opinion of the Directors:

(a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and *Corporations Regulations 2001;*

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) Note 2(b) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.

Graham Olrich
Director

Michael Fenech
Director

27 September 2019

Independent Auditor's Report

To the members of Regional Australia Bank Ltd

Opinions

We have audited the consolidated Financial Report of Regional Australia Bank Ltd (the Group Financial Report). We have also audited the Financial Report of Regional Australia Bank Ltd (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Regional Australia Bank Ltd are in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

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

- *Statements of financial position* as at 30 June 2019
- *Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows* for the year then ended
- Notes including a summary of significant accounting policies
- *Directors' Declaration.*

The ***Group*** consists of Regional Australia Bank Ltd (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinions

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

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

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

Other information

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

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

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

The Directors are responsible for:

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

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

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

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

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

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

27 September 2019

notes

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