

G&C Mutual Bank
Annual Report
2020



We're ready to help you

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It's your bank, because you own it.



Our Values

Contents

At G&C Mutual Bank, our culture is underpinned by our values. We strive to live these values in all aspects of our work.

Member Service



We will provide service excellence through every member contact, by truly understanding our members' needs. We put our members at the centre of everything we do.

Continuous Improvement



We will continuously evaluate our actions in order to improve the quality of our member service.

Teamwork



We will work collaboratively at all times, developing and maintaining productive working relationships based on mutual respect.

Performance



We will ensure excellence in performance to realise our strategic objectives for the benefit of our members.

Integrity



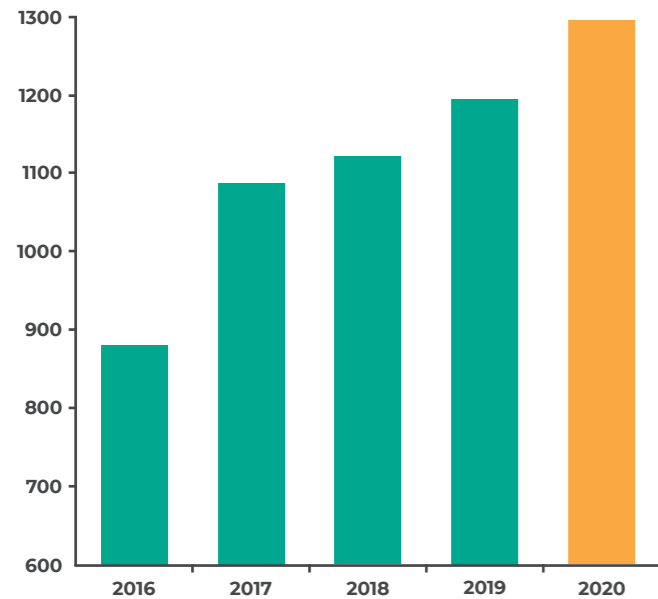
We will act with integrity, honesty and transparency in all things – with our members, our partners and each other.

Page 03	Key Statistics
Page 04	Strong Performance in Challenging Times
Page 07	Directors
Page 09	Banking on Your Team
Page 10	Banking on Your Community
Page 11	Directors' Report
Page 14	Corporate Governance Statement
Page 17	Auditor's Independence Declaration
Page 18	Declaration by Directors
Page 19	Independent Auditor's Report
Page 22	Statement of Comprehensive Income
Page 23	Statement of Financial Position
Page 24	Statement of Changes in Equity
Page 25	Statement of Cash Flows
Page 26	Notes to Financial Statements

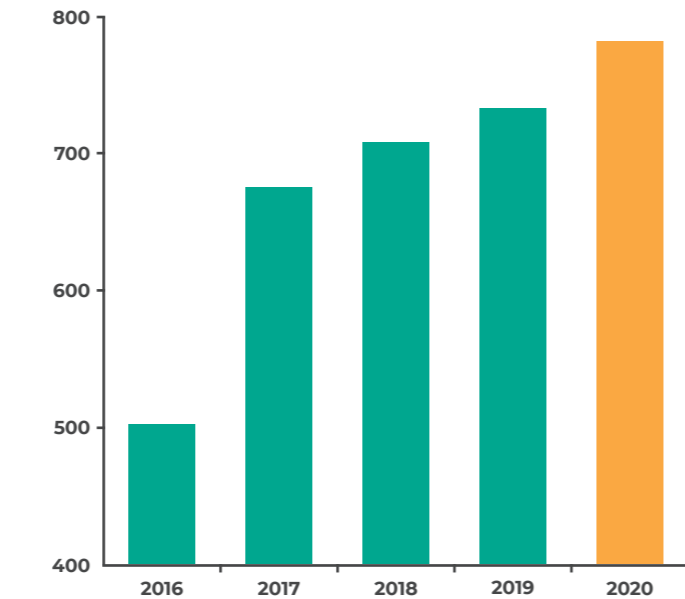
“ We will always be there...when our members need us most ”

Key Statistics 30 June 2020

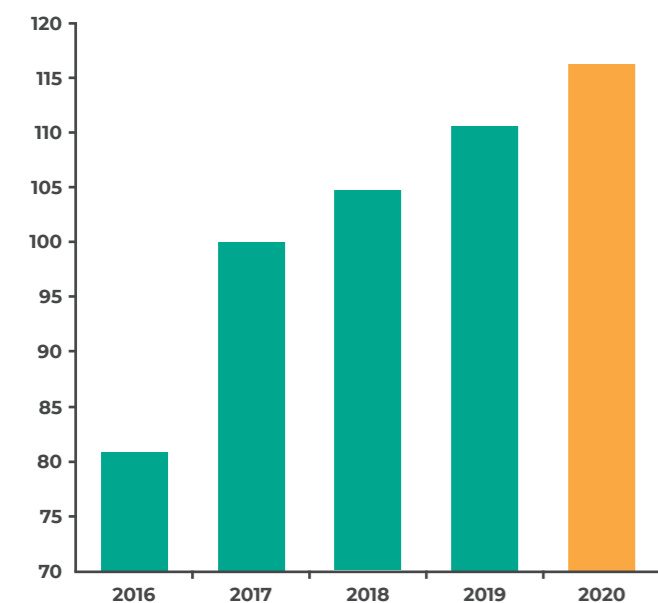
\$1.294b
Total Assets



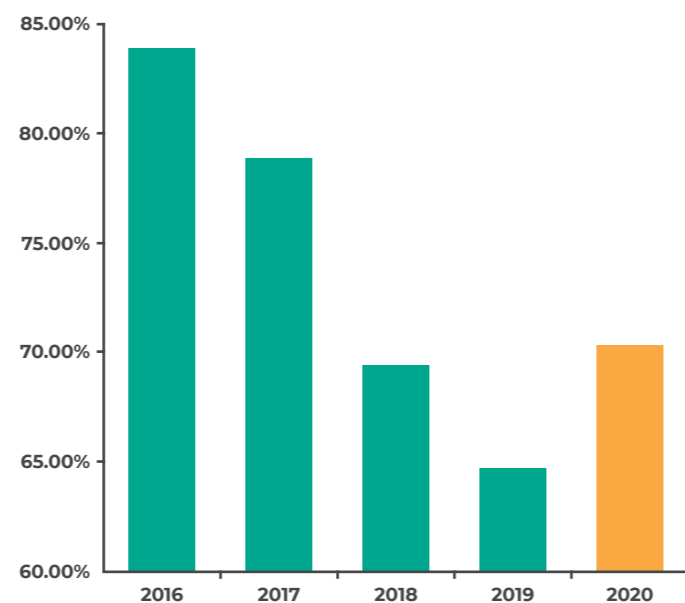
\$781m
Total Loans



\$116m
Member Equity



70.3%
Operating Efficiency (Cost/Income Ratio)



Chair & CEO Update

Strong Performance in Challenging Times



Julian Kennelly
Chair

Dave Taylor
CEO

On behalf of the G&C Mutual Bank Board and all G&C staff, we would like to extend our warmest thoughts to all members and their families as they continue to manage the direct and indirect consequences of the COVID pandemic. The last year has been extremely challenging for members and their communities, with last summer's tragic bushfires and then the COVID pandemic leaving many without employment, shelter or future financial security. Our priority at G&C has been to provide support and financial assistance to members during these difficult times. G&C staff are very proud of our longstanding commitment "...to always be there when our members need us most" and the last year has certainly given us many opportunities to live up to that promise.

"G&C staff are very proud of our longstanding commitment '... to always be there when our members need us most'"

For those many G&C members who work in the health, aged care and essential services sectors, we thank you for your tireless efforts in protecting our communities and putting your own lives at risk to help and care for others.

As the dire economic consequences of the pandemic became clear by mid-March, G&C announced a comprehensive package of financial assistance measures which included loan repayment deferrals for home owners, special "cashflow" assistance for those with urgent financial needs, and a suite of measures to assist our small business and self-employed borrowers. Although we hope the worst of the pandemic is now behind us, we do expect adverse economic

consequences to persist throughout the coming year and will continue to provide special assistance to those borrowers who require more time to get back on their feet.

"G&C announced a comprehensive package of financial assistance measures...to assist our small business and self-employed borrowers."

Against the background of the pandemic and with the Reserve Bank acting aggressively to ensure credit availability for households and businesses, the 2019/20 financial year ended with interest rates falling to their lowest level ever in Australia. Although the extreme low rate environment provides welcome relief to home owners, it also presents significant challenges for customer-owned banks as we seek to strike a fair balance between the needs of our borrowing and depositing members. With many G&C members being in retirement or semi-retirement and reliant on interest income, we are very conscious that every fall in interest rates creates far more losers than it does winners in this record low rate environment.

In addition to our overwhelming priority of providing members with support and financial assistance, G&C Mutual Bank took further steps during 2019/20 to enhance our products and services, as evidenced by the numerous product awards we received through the year.

"G&C Mutual Bank took further steps during 2019/20 to enhance our products and services, as evidenced by the numerous product awards we received through the year."

Solid Growth and Strong Credit Quality

Continuing the growth trend of recent years, G&C Mutual Bank's loan and deposit growth in 2019/20 was above the average for the overall financial system, with total loan balances increasing by 6.60% (about double system-wide loan growth) and member deposits increasing very strongly by 10.00%. We also continued to see strong loan demand from small businesses, particularly in regional and rural areas.

G&C's commitment to maintain its conservative lending standards, our focus on customer segments that are well

known and trusted, and our reliance on in-house origination channels rather than mortgage brokers, have together underpinned the Bank's very low level of loan arrears.

Overview of Financial Performance

G&C Mutual Bank finished the 2019/20 financial year with Total Assets of \$1.294 billion, Member Equity of \$116.50 million and a risk-weighted Capital Ratio of 17.0%.

The dramatic reduction in market interest rates during the last 4 months of the financial year saw G&C's Net Interest Margin (NIM) decline by 30 basis points between June 2019 and June 2020, causing a material reduction in Net Interest Income. Notwithstanding this rapid revenue contraction, G&C's program of cost reduction and efficiency improvements continued to deliver results, and at year end G&C's Cost/Income ratio of 70.30% (up from 64.70% in the prior year) remained among the best in the mutual banking sector. G&C's 2019/20 results are summarised in the charts on page 3 and are set out in detail in the accompanying financial statements.

In summary, the Bank finished the year with a pre-tax profit of \$8.53 million and a post-tax profit of \$6.22 million (a 4.80% reduction on the prior year post-tax profit of \$6.54 million). Member Equity increased by \$6.00 million to finish the year at \$116.50 million (2019: \$110.50 million).

New Products & Awards

G&C Mutual Bank continued to review and enhance our product range over the past 12 months to ensure we are meeting member needs – with further rate reductions and more flexible features introduced to our suite of home loans and "Retiree Access" reverse mortgages. We were also very pleased to be appointed in November 2019 to the lender panel for the First Home Guarantee Scheme, under which eligible home borrowers can access a Government guarantee of up to 15% of their loan amount. G&C's pre-existing First Home Owner product (with its very competitive interest rate and no fees) proved to be a perfect fit for the Guarantee Scheme and has enabled many young borrowers to bring forward their first home purchases. Over the past financial year G&C approved over \$90 million of first home owner loans and we continue to experience very strong loan demand from young first time borrowers.

G&C's pre-existing First Home Owner product...proved to be a perfect fit for the Guarantee Scheme and has enabled many young borrowers to bring forward their first home purchases.

With the large banks withdrawing from various product types over recent years (including reverse mortgages), G&C's "Retiree Access" reverse mortgage loan remains one of very few such products in the market. G&C is strongly committed to retaining this important product, which provides our elderly members with the ability to make much-needed

improvements to their properties so they can remain living comfortably with dignity in their family homes through their later years.

We also made further improvements to our award-winning Low Rate Credit Card, which continues to offer the lowest credit card interest rate in the Australian market.

To ensure G&C remains market competitive, we routinely submit our full range of products for independent assessment and peer benchmarking. As part of those processes, the 2019/20 financial year once again saw G&C's products independently recognised for their great value, flexibility and innovative features. We received numerous awards during the 2019/20 year, including the following:



- InfoChoice 2020 Home Loan Awards – Home Loan Lender of the Year (Customer Owned)
- InfoChoice 2020 Home Loan Awards – First Home Buyer Variable Rate
- InfoChoice 2020 Home Loan Awards – First Home Buyer 2 Year Fixed Rate
- InfoChoice 2020 Home Loan Awards – Investor 2 Year Fixed Rate Principal & Interest
- InfoChoice 2020 Home Loan Awards – 2 Year Fixed Rate
- Mozo Experts Choice 2020 for the First Home Buyer Loan category
- Mozo Experts Choice 2020 for the Offset Home Loan category
- Mozo Experts Choice 2020 for the Split Home Loan category
- RateCity Gold Award 2020 – Small Deposit Home Loan
- RateCity Gold Award 2020 – Packaged Home Loan
- RateCity Gold Award 2020 – Investor 3 Year Fixed Home Loan
- Canstar 5-Star Rating for Outstanding Value - New Car Loan (Diamond Rate)
- Canstar 5-Star Rating for Outstanding Value - Used Car Loan (Diamond Rate)
- Canstar 5-Star Rating for Outstanding Value - Unsecured Personal Loan (Diamond & Emerald Rates)
- Mozo Experts Choice 2019 - Unsecured Personal Loan
- RateCity Gold Award 2020 - Excellent Credit Personal Loans
- Canstar 5-Star Rating for Outstanding Value – New Car Loan
- Mozo Experts Choice 2019 – Used Car Loan
- RateCity Gold Award 2020 – Used Car Loans
- Canstar 5-Star Rating for Outstanding Value Credit Card – Low Rate profile
- Mozo Experts Choice 2020 - Low Rate Credit Card
- Money magazine's Cheapest Standard Credit Card 2020 – Bank Product

The Year Ahead

G&C Mutual Bank expects market conditions to remain challenging in the year ahead - with a continuation of record low interest rates, elevated unemployment and subdued consumer spending and economic growth.

With the health impact and economic fallout from the pandemic likely to remain for some time, G&C's business strategies will continue to be framed around three key pillars – our pursuit of innovative and valued products and services in collaboration with trusted partners, our preparedness to work together cooperatively with other customer-owned banks, and our dedicated commitment to treating members ethically and ensuring we are always there to help **"...when our members need us most"**.

In closing and on behalf of the G&C Mutual Bank Board, we'd like to extend a special thank you to our colleague Trevor Donegan who retired last November after 13 years of service as a G&C Director. Trevor was a dedicated and highly valued Board member who contributed greatly to G&C's growth and success over the past decade.

We'd also like to thank all members and all G&C staff for their loyalty and support through what has been a very challenging year for everyone.


Julian Kennelly
Chair


Dave Taylor
CEO

It's **your** bank,
because **you** own it.



\$116.50M
Member
Equity



\$1.294b
Total Assets



Over 60 years
serving
members



Award-winning
products



Values-driven
banking



Member and
community
focus

Board of Directors



Julian Kennelly

Board Chair & Chair of Governance, Nominations & Remuneration Committees, Non-Executive 'Elected' Director

Period of Appointment: 4 years to AGM 2021

Julian was elected to the Board of G&C Mutual Bank in 2002 and has been Chair of the Board since July 2011. Julian has chaired the Board's former Information Technology Committee and is currently Chair of the Governance, Nominations and Remuneration Committees. Julian is also a member of the Australasian Mutuals Institute.

For the past 20 years Julian has been employed by the Community and Public Sector Union – SPSF Group in Victoria as the Manager of Media and Communication Services. Prior to 1994 Julian held several media strategy and communication roles, including with the CPSU SPSF Federal Office, the Australian Services Union and the Office of the Leader of the Parliamentary Labor Party in Victoria



Alexander Hutchison

Board Vice Chair and Chair of Board Audit Committee, Non-Executive 'Elected' Director

Period of Appointment: 4 years to AGM 2022

Alex has more than 20 years' experience in the financial services sector and held senior leadership roles in both ASX listed and not-for-profit organisations. Alex has consistently been active in contributing to a number of industry associations during his career including the FPA, AIST and ABACUS.

Alex's early career was in federal law enforcement with both the Australian Federal Police and the Australian Securities & Investments Commission.

Alex earned a law degree from the University of Technology (Sydney), has a graduate Diploma in Financial Services and attended the Stanford Graduate School of Business.



Gregory Hammond

Non-Executive 'Appointed' Director

Period of Appointment: 1 year to December 2020

Greg is a consultant and adviser to financial institutions, charities and not-for-profit organisations and has over 30 years' experience as a lawyer specialising in capital markets, banking and the governance, supervision and regulation of Australia's financial system. He advised mutual financial institutions on governance, treasury and capital issues for many years.

He was a member of the panel appointed by the Federal Government to review the legislation governing the Australian Charities and Not-for-profits Commission in 2018. In 2017 completed an independent review for the Federal Government of the regulatory and legislative barriers which impede cooperatives and mutuals from accessing capital and the Federal Government has implemented all the recommendations in his report.

Greg has served on the governing boards of a broad range of entities. His current roles include being Chair of Anglicare Sydney and Olive Tree Media, a director of Anglican Representative (National Redress Scheme) Limited, the Australian College of Theology and Opportunity International Australia Limited and a member of the Glebe Administration Board (the trustee of the Diocesan Endowment for the Anglican Diocese of Sydney).

He was a partner of King & Wood Mallesons for over 27 years (1987–2014) and was an Adjunct Fellow with the Applied Finance Centre at Macquarie University for over 20 years. In 2016 Greg was awarded the Medal of the Order of Australia (OAM) for service to the community through a range of volunteer roles.



Karin Hawkins

Chair of Board Risk Committee, Non-Executive 'Appointed' Director **Period of Appointment:** 4 years to AGM 2023

Karin has extensive experience in the financial services industry having successfully held executive roles in risk management, strategy and sales. Karin's past roles include Head of Prudential Supervision – FINCOM; Head of Risk Management – ANZ Wholesale Mortgages; and Executive Manager – Mortgages with ANZ. Karin has also held a number of senior public sector roles including as an adviser to the NSW Premier and Treasurer on financial services regulation.

Karin is also currently a Director of Uniting Financial Services; Managing Director of Allister Redlands Pty Ltd and Lead Consultant, APAC for the NeuroLeadership Institute. Karin holds a Bachelor of Business (UTS); a Master of Public Policy (Sydney); a Master of Arts (MGSM); and is a Graduate member of AICD.



Steve Helmich

Appointed Director

Period of Appointment: 1 year to 1 September 2021

Dip FP (Diploma Financial Planning), FANZII (Fellow ANZ Insurance Institute), SF Fin (Senior Fellow FINSIA), MAICD (Member Australian Institute of Company Directors) and a graduate of the Advanced Executive Program (Kellogg Institute – Northwestern University).

During his career at AMP, Steve successfully led the financial planning business through periods of reform and change. He was responsible for the strong growth in AMP Financial Planning and Hillross as well as the establishment of the Horizons Financial Planning Academy. He is a past Chairman of the Financial Planning Association of Australia (2002 – 2004), a past Trustee and the Chair of Future2 (the foundation of the Australian Financial Planning Association) and a past Director and Chair of the global Financial Planning Standards Board (FPSB).

Steve is currently Chair of the Affinia Licensee (TAL Group) and joined the G&C Board following the merger with Quay Credit Union in 2016.



Peter Clarke

Elected Director

Period of Appointment: 4 years to AGM 2023

Peter is a highly qualified and experienced finance professional and has held a number of senior executive roles at AMP. He was responsible for the development of AMP's funds management exposure to the Industry Super Funds, growing funds under management to over one billion dollars. He was the Managing Director of Cobalt Solutions, the AMP subsidiary responsible for the run-off of AMP's reinsurance subsidiary that it acquired as a result of the purchase of GIO. At the time this was one of the largest run-off portfolios in the world. Peter joined the Board of AMP Credit Union (Quay Credit Union) in early 2008 and was the Chair from December 2014 up until the merger with G&C Mutual Bank.

Peter holds a Bachelor of Economics, is a Certified Practising Accountant, a Fellow of the Finance Institute of Australia, a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance, a Member of the Australian Institute of Company Directors and a Member of the Australian Mutuals Institute.



Dave Taylor

Chief Executive Officer and Director

BA First Class Honours (Adelaide University), Diploma in Advanced Management (Cornell Business School - USA)

Dave Taylor has been the Chief Executive Officer of G&C Mutual Bank since April 2010. Dave has over 30 years of finance industry experience across a wide range of management, consulting and Board roles, including 11 years as a Senior Executive with Credit Union Services Corporation (CUSCAL) and 9 years as Managing Director of Finance Industry Consulting Services.

Previously the holder of University and Government advisory positions between 1984–1989. Dave has held numerous Directorships in the finance industry, including on the Boards of mutual banks, credit unions, industry superannuation funds and ASX-listed companies, and is currently a Director of CUFSS Limited, SocietyOne Holdings Pty Ltd and Shared Service Partners Pty Ltd. Dave was also previously a Director of the Australian Payments Clearing Association and a Government-appointed member of the Australian Payment Systems Council.

Banking on Our Team

Established in 1959, G&C Mutual Bank has grown to become one of Australia's strongest member-owned banks. Our success is due to our dedicated staff members who always put our members first. Together, we're committed to helping our members achieve their financial goals, such as buying a home or planning for the future, and to making a difference to our community.

We've built a team that includes people from diverse cultures, backgrounds and ages, with over 20 different cultural groups and languages represented among our staff. As a member of the Diversity Council of Australia, we recognise the benefits that diversity brings, not just for our organisation to grow, but for our community to thrive.

In addition to creating a workplace that supports diversity and inclusion, G&C Mutual Bank is proud to have a strong representation of women across the business. We offer flexible working arrangements for those with family commitments, and we cover volunteering costs to encourage our staff members' participation in activities to help the community.

Our member-focused culture is strengthened by our values of member service, continuous improvement, teamwork, performance and integrity. We strive to live these values in all aspects of our work and build strong working relationships based on mutual trust.

Management Team



From left: Dean Kearney, Dave Taylor, Akhilesh Mehta, Vanessa Tomic, Sushil Ramrakha, Leigh Abberton, Sunshine Lodsman, Edward Geluz



From left: Kylie-Jane Robson, Dave Chapman, Neil Stevenson, Lalin De Silva, Margaret Brown, Michael Blanchard, Rosanna Argall, Andrew Prichard

Banking on Your Community

At G&C Mutual Bank, we're passionate about helping others. We actively support the communities in which we operate by providing workplace sponsorships and participating in fundraising and volunteering activities for charities that are close to our hearts.

Our long and enduring relationship supporting NSW Ambulance and Corrective Services continued in 2019-2020. We are proud to have sponsored the NSW Ambulance Employee of the Month and Employee of the Year Awards for over ten years, recognising their excellent contribution to our community. We were also pleased to be able to support the Corrective Services and NSW Ambulance Oz Tag teams at the 2019 NSW Police & Emergency Services Games.

We also supported the Community and Public Sector Union (CPSU) Victoria with their initiatives to promote diversity and inclusion, including the inaugural Women of Colour Conference in Melbourne.

In response to the devastating bushfires, G&C Mutual Bank donated \$10,000 to the Australia Bushfire Appeal via the Australian Mutuals Foundation's disaster relief portal. These funds were distributed to the St Vincent De Paul Society to help individuals and communities affected rebuild their lives and livelihoods.

Our staff members' fundraising activities included supporting Barnardos Australia's gift drives to help brighten the lives of some of Australia's disadvantaged children. Our staff also volunteered to assist with the Barnardos Australia working bee and the Sydney Special Children's Christmas Party.

The cancellation of various events due to the COVID-19 pandemic has understandably limited our 2020 community and volunteering activities. However, we have ensured continuity of all of our banking services to support our members through these difficult times. While the pandemic has brought considerable change to our daily lives, our commitment to our members and the community will never change. We look forward to continuing our community initiatives in the future.



Images from top to bottom:
 NSW Ambulance Employee of the Year for 2019, Jordan Rosser, centre, with Dr Dominic Morgan ASM and Vanessa Tomic, Head of People & Culture at G&C Mutual Bank.
 NSW Ambulance Employee of the Month for July, Erin Matterson.
 Corrective Services & NSW Ambulance Oz Tag teams at the 2019 NSW Police & Emergency Services Games.
 G&C Mutual Bank staff join volunteers at Barnardos Australia working bee.

DIRECTORS' REPORT

G&C Mutual Bank Limited is a public company registered under the *Corporations Act 2001*.

Your Directors present their report on G&C Mutual Bank (the Bank) and its controlled entity, together called the Group, for the financial year ended 30 June 2020.

Information on Directors

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

J F Kennelly - Chair
 A P Hutchison - Vice Chair
 T J Donegan - Director (resigned 30 November 2019)
 K V Hawkins - Director
 D A Taylor - Director
 G N Hammond - Director
 P W Clarke - Director
 S J Helmich - Director

Information on Company Secretary

The Company Secretary is Ms Rosanna Argall - MBA, FCIS. Ms Argall was appointed Company Secretary on 1 June 2005.

Information on Board Meetings

The number of meetings of G&C Mutual Bank's Board of Directors and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director as a member of the relevant committee were:

	Board		Board Audit Committee		Board Risk Committee		Governance, Nominations & Remuneration Committee	
	E	A	E	A	E	A	E	A
J F Kennelly	7	6	-	-	-	-	4	4
T J Donegan	3	3	-	-	-	-	1	1
G N Hammond	7	6	1	1	4	4	-	-
K V Hawkins	7	7	3	3	4	4	-	-
A P Hutchison	7	7	3	3	-	-	4	4
D A Taylor	7	7	-	-	-	-	4*	4*
P W Clarke	7	7	1	1	4	4	-	-
S J Helmich	7	7	2	2	1	1	3	3

E = number of meetings Directors eligible to attend

A = number of meetings attended during the time the Director held office

* other than for the Remuneration Committee part of one meeting

Director 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 G&C Mutual Bank 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 43 of the financial report.

DIRECTORS' REPORT**Indemnifying Directors, Officers or Auditors**

Insurance premiums have been paid to insure each of the Directors and Officers of G&C Mutual Bank against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a Director or Officer of the Bank. 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 additional cover has been provided for the benefit of the auditors of the Bank.

Principal Activities

The principal activities of G&C Mutual Bank during the year were the provision of retail financial services to members including lending, deposit taking and payment services as prescribed by the Constitution.

Impact of the Coronavirus (COVID-19) Outbreak

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Whilst the outbreak of COVID-19 is primarily a public health issue, it is also having very significant effects on economies and financial markets around the world. Since the onset of COVID-19 there has been a severe economic contraction in Australia severely impacting labour markets and disrupting financial markets. The Australian economy is being supported by the substantial, coordinated and unprecedented easing of fiscal and monetary policy and the government's income support measures. The outlook for the economy and labour market remains highly uncertain and will depend on the evolution of the pandemic, including changes in social distancing and medical advances, fiscal and monetary policy support and behavioural changes among households and businesses. During this time our focus is on protecting the stability of the Bank's critical operations and supporting our members.

For further details on COVID-19 and the key considerations and impacts on the financial statements refer note 9.

Operating Results for the Year

The net profit of G&C Mutual Bank for the year before income tax is \$8,531,000 (2019: \$9,316,000). The net profit after income tax for the year is \$6,220,000 (2019: \$6,536,000).

The results for the financial year were underpinned by:

- A decrease in profit after tax of 4.8%
- An increase in loan balances of 6.6%
- A return on average assets after tax of 0.50%
- An increase in assets of 8.4%
- An increase in deposits of 10.0%
- A cost-to-income ratio of 70.3% (prior year 64.7%)

Significant Changes in State of Affairs

There were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in the financial statements of the consolidated entity.

Significant Events after the Balance Date

There has been no significant event that has arisen after balance date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.

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:

- the operations of the Bank;
- the results of those operations; or
- the state of affairs of the Bank.

DIRECTORS' REPORT**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 Bank under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/91. G&C Mutual Bank is an entity to which this instrument applies.

Environmental Regulation

G&C Mutual Bank is not subject to any significant environmental regulation.

Non-Audit Services

Ernst & Young received or is due to receive the following amounts for the provision of non-audit services:

	2020	2019
	\$	\$
Taxation services	31,075	29,975
Consulting services	106,700	-
Total	137,775	29,975

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 the auditor's independence was not compromised.

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.

ASIC Class Order Relief

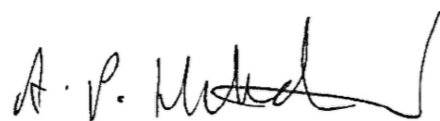
G&C Mutual Bank has elected to apply Class Order 10/654 which allows companies, registered schemes and disclosing entities that present consolidated financial statements to also present parent entity financial statements for the year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.



J F Kennelly
Chair

22 September 2020



A P Hutchison
Vice Chair

CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2020

The Board and Management of G&C Mutual Bank are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that the activities of G&C Mutual Bank are continually structured and delivered in a manner that allows us to meet the needs of our members.

To ensure these corporate governance commitments are maintained at all times, appropriate business practices and policies have been adopted by the Board and embedded throughout G&C Mutual Bank.

The Board is continually working to improve our governance policies and practices both at Board level and throughout the organisation. While our mutual values remain constant, we know we must adapt our business practices to ensure we meet our obligations as a responsible financial institution in a rapidly changing world.

The Board has carefully considered and implemented a 'fit and proper' framework in accordance with relevant legislation that endeavours to ensure the Directors and Senior Managers are appropriate persons to lead G&C Mutual Bank. The 'fit and proper' framework deals with matters such as minimum competencies, character, honesty, integrity, professional development, independence and performance.

Minimum Competencies

Board Policy sets out the minimum competencies regarding the personal attributes, character, skills and knowledge that each responsible person must demonstrate at all times. The Board undertakes an annual strategic skills gap analysis to ensure the Board and Management have the right mix of skills.

Director Development

Relevant Board Policies outline the knowledge requirements for Directors and provide guidelines for new Director induction as well as the standards for ongoing Director development. Each Director is expected to achieve a minimum number of hours of skills development per annum.

Independence

A majority of G&C Mutual Bank's Directors are required to be independent. Independent Directors must not have any interests including personal, business or contractual interests which would undermine their ability to constructively and critically contribute to the work of the Board. This means the Directors must be free from any relationship (for example, a business interest in a supplier or competitor of G&C Mutual Bank) which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of G&C Mutual Bank.

The Board assesses each Director's independence by reference to the requirements contained within APRA Prudential Standard CPS 510 and the guidelines set out in the ASX Corporate Governance Committee's Principles of Good Corporate Governance. The Board has also adopted policies that address issues relating to conflicts of interest and the manner in which any such conflicts are required to be reported, managed and disclosed. Other than approved Director remuneration, the Directors do not offer, seek or accept benefits in the performance of their duties.

In the event that a potential conflict of interest arises, the Director in question must withdraw from all debate and decisions concerning the matter unless the Board resolves that the relevant interest or conflict should not disqualify the Director from being present and/or voting.

Performance

Established Board Policy requires an annual review of performance of the Board, its committees and individual Directors. The Board undertakes an annual assessment of its collective performance, the performance of the Chair and of its committees. Senior Management contribute to this appraisal process which is facilitated by an independent third party. The results are documented with any agreed action plans for the coming year. An assessment carried out in accordance with this process was undertaken during the period September – December 2019.

Structure of the Board

The size and composition of the Board is determined by the Board subject to the limits set out in G&C Mutual Bank's Constitution.

As at 30 June 2020, the Board comprised four Non-Executive (member-elected) Directors, two Non-Executive (appointed) Directors, and one Executive (appointed) Director. All Directors are members of G&C Mutual Bank. Board members are elected by the members or appointed in accordance with G&C Mutual Bank's Constitution. The Chair of the Board is an elected Non-Executive Director.

Role of the Board

The Board comprises a majority of Non-Executive Directors who, together with the Chief Executive Officer, have extensive business acumen and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community.

In particular, the Board:

- provides strategic direction including contributing to the development of and approving the corporate strategy;
- monitoring the effectiveness of the corporate governance and risk management frameworks;
- appointing the Chief Executive Officer;
- monitoring the performance and approving the remuneration of the Chief Executive Officer;
- reporting to members and ensuring that all regulatory requirements are met;
- overseeing financial performance and monitoring business performance against the approved Strategic Plan;
- overseeing internal controls and processes for identifying areas of significant business risk;
- monitoring compliance with regulatory and statutory requirements and the implementation of related policies;
- making decisions in relation to major expenditures, acquisitions or merger opportunities; and
- ensuring G&C Mutual Bank's business is conducted ethically and transparently.

Committees of the Board

The Board has established three standing committees as described below; the Governance, Nominations & Remuneration Committee (GNRC), the Board Audit Committee (BAC) and the Board Risk Committee (BRC). These committees consider various matters and make recommendations to the Board. Each committee's authority and responsibilities are set out in their individual committee charters, as approved by the Board. Other special purpose committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other pertinent qualities they bring to each particular committee role.

The Board Audit Committee, Board Risk Committee and the Governance, Nominations & Remuneration Committee meet at least quarterly, or more frequently as required, to consider and make recommendations or decisions on matters within their terms of reference.

Committee Chairs give verbal reports to the Board at the next Board meeting and the Board reviews minutes of all committee meetings. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation at any time during or since the end of the financial year were:

Board Audit Committee (BAC)

The Board Audit Committee is established to oversee the financial reporting and audit frameworks. Its role includes:

- monitoring the integrity of the financial reporting including reviewing draft financial statements;
- reviewing the assurance provided for a sound system of internal controls based on the identification, assessment and management of risks that are significant to the fulfilment of the business objectives;
- overseeing and recommending to the Board matters in relation to the external auditors, including reviewing their qualifications, remuneration, performance and independence;
- monitoring and reviewing the effectiveness of the internal audit function including the Internal Auditor's capabilities, qualifications, resources, planning, scope of work and findings of reviews undertaken;
- familiarity with changes to and introduction of new legislation, accounting standards and prudential standards, practice guides and consultation packages; and
- ensuring that G&C Mutual Bank maintains an internal control framework that is adequate and effective at meeting the applicable prudential requirements.

Board Risk Committee (BRC)

The Board Risk Committee is established to oversee the risk management framework. Its role includes:

- providing the Board with greater oversight of and advice on the risk management and compliance frameworks;
- strengthening the governance, effectiveness and resourcing of the risk management and compliance frameworks;
- advising the Board on the appropriateness of the risk management and compliance frameworks;
- providing the Board with non-executive oversight of the implementation of the risk management and compliance frameworks;
- ensuring that Senior Management are appropriately implementing the Board's strategy for managing risk;
- assisting the Board formulate its risk appetite;
- making recommendations to the Board concerning the risk appetite and particular risks or risk management practices; and
- promotion of awareness of a risk based culture and the achievement of a balance between risk and reward.

Governance, Nominations & Remuneration Committee (GNRC)

The Governance, Nominations & Remuneration Committee assists the Board in adopting and implementing good corporate governance in the areas of the Chief Executive Officer's appointment, Director and Executive remuneration, Director elections, Director and Executive performance reviews, oversight of the 'fit and proper' framework, monitoring the size and composition of the Board, and developing Executive succession plans.

Governance Standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance, and therefore adopts practices including:

- an annual review of Board performance;
- active participation by all Directors and open access to information;
- regular Executive Management presentations;
- the Chief Executive Officer and Chief Financial Officer provide assurance on the accuracy and completeness of financial information and the Chief Risk Officer on the adequacy of risk management processes;
- the Executive Managers provide assurance to the Board that the business of G&C Mutual Bank has been conducted ethically and that all dealings have been conducted transparently with the Board;
- the transparency of information to members through publication of regular notices on G&C Mutual Bank's website – www.gcmutual.bank; and
- the gearing of Board policies towards risk management to safeguard the assets and interests of G&C Mutual Bank and its members.

External Audit

The audit is performed by Ernst & Young.

Internal Audit

The internal audit function is undertaken by internal resources.



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Auditor's Independence Declaration to the Directors of G&C Mutual Bank Limited

As lead auditor for the audit of G&C Mutual Bank Limited for the financial year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of G&C Mutual Bank Limited and the entities it controlled during the financial year.

Ernst & Young

Richard Balfour
Partner
22 September 2020

The Directors of G&C Mutual Bank Limited declare that in the opinion of the Directors:

- (a) The financial statements and notes to the accounts of G&C Mutual Bank and the consolidated entity (Group) are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of G&C Mutual Bank and the Group as at 30 June 2020 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that G&C Mutual Bank will be able to pay its debts as and when they become due and payable.

Note 2 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

J F Kennelly
Chair

22 September 2020

A P Hutchison
Vice Chair



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Independent Auditor's Report to the Members of G&C Mutual Bank Limited

Opinion

We have audited the financial report of G&C Mutual Bank Limited (the Company) and its subsidiaries (collectively the Group), which comprises:

- the Group consolidated and Company statements of financial position as at 30 June 2020;
- the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended ;
- notes to the financial statements, including a summary of significant accounting policies; and
- the directors' declaration.

In our opinion, the accompanying financial report is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2020 and of their financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report.

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



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Richard Balfour
Partner
Sydney
22 September 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Interest income	11	38,907	42,205	44,242	48,182
Interest expense	12	(13,984)	(20,592)	(18,240)	(23,331)
Net interest income		24,923	21,613	26,002	24,851
Non-interest income	13	4,296	7,545	4,363	5,478
Net operating income		29,219	29,158	30,365	30,329
Impairment expense	14	(151)	(151)	(1,408)	(1,408)
Employment expense	14	(9,944)	(9,944)	(10,154)	(10,154)
Office occupancy expense	14	(562)	(562)	(1,499)	(1,499)
Depreciation and amortisation expense	14	(1,636)	(1,636)	(851)	(851)
Information technology and communication expense	14	(2,848)	(2,848)	(2,516)	(2,516)
Other operating expenses	14	(5,547)	(5,486)	(4,621)	(4,585)
Total operating expenses		(20,688)	(20,627)	(21,049)	(21,013)
Profit before income tax		8,531	8,531	9,316	9,316
Income tax expense	15	(2,311)	(2,311)	(2,780)	(2,780)
Net profit after tax attributable to members		6,220	6,220	6,536	6,536
Other comprehensive income for the year, net of tax				-	-
Total comprehensive income for the year		6,220	6,220	6,536	6,536

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

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
ASSETS					
Cash and cash equivalents	17	20,786	20,786	8,293	8,293
Due from other financial institutions	18	127,129	102,144	161,407	150,897
Debt instruments at amortised cost	19	346,139	670,021	275,439	399,719
Other assets	20	7,655	17,342	8,312	20,168
Current tax assets		833	833	-	-
Loans and advances	21,22	781,147	781,147	732,611	732,611
Financial assets at fair value through profit or loss	23	4,707	4,707	4,416	4,416
Property, plant and equipment	25	1,382	1,382	1,081	1,081
Right-of-use assets	26	2,491	2,491	-	-
Intangible assets	27	1,056	1,056	803	803
Deferred tax assets	28	1,058	1,058	1,637	1,637
Total Assets		1,294,383	1,602,967	1,193,999	1,319,625
LIABILITIES					
Deposits	29	1,124,736	1,124,736	1,022,537	1,022,537
Derivative liabilities	24(b)	809	809	893	893
Other liabilities	30	11,173	11,170	16,932	16,932
Current tax liabilities		-	-	376	376
Other financial liabilities	31	38,544	347,131	39,991	165,617
Provisions	32	2,593	2,593	2,790	2,790
Total Liabilities		1,177,855	1,486,439	1,083,519	1,209,145
Net Assets		116,528	116,528	110,480	110,480
EQUITY					
Redeemable share reserve	33	2,262	2,262	2,262	2,262
Retained earnings	35	96,904	96,904	90,856	90,856
Contributed equity	36	17,362	17,362	17,362	17,362
Total Equity		116,528	116,528	110,480	110,480

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020

Note	Consolidated and Parent				
	Contributed Equity \$'000	Redeemable Share Reserve \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance as at 30 June 2018	17,362	2,262	158	84,978	104,760
Impact of adopting AASB 9 - increase in impairment allowance recognised directly in retained earnings as at 1 July 2018	-	-	-	(816)	(816)
Balance as at 1 July 2018	17,362	2,262	158	84,162	103,944
Net profit after tax	-	-	-	6,536	6,536
Transfer from asset revaluation reserve to retained earnings	-	-	(158)	158	-
Balance as at 30 June 2019	17,362	2,262	-	90,856	110,480
Impact of adopting AASB 16 Leases on retained earnings as at 1 July 2019	-	-	-	(172)	(172)
Balance as at 1 July 2019	17,362	2,262	-	90,684	110,308
Net profit after tax	-	-	-	6,220	6,220
Balance as at 30 June 2020	17,362	2,262	-	96,904	116,528

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

STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

Note	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Interest received	39,427	42,720	43,942	47,885
Dividends received	86	86	53	53
Non-interest income received	4,136	7,385	4,078	5,193
Interest paid	(16,322)	(22,930)	(17,162)	(22,533)
Interest paid - leases	(155)	(155)	-	-
Payments to suppliers and employees	(25,946)	(23,714)	(19,703)	(25,906)
Income taxes paid	(2,833)	(2,833)	(2,784)	(2,783)
(Increase)/decrease in due from other financial institutions	34,278	48,753	(114,351)	(109,297)
Increase/(decrease) in debt securities issued by authorised deposit-taking institutions	(70,700)	(70,700)	49,098	49,098
(Increase)/decrease in loans and advances	(48,913)	(48,913)	(26,033)	(26,033)
Increase/(decrease) in deposits	102,199	102,199	64,832	64,832
Increase/(decrease) in other financial liabilities	(1,447)	(1,447)	154	154
Net cash inflow/(outflow) from operating activities	38(c) 13,810	30,451	(17,876)	(19,337)
CASH FLOW FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	12	12	11	13
Payments for property, plant and equipment	(730)	(730)	(53)	(53)
Payments for intangible assets	(599)	(599)	(323)	(323)
Payments for financial assets at FVTPL	-	-	(75)	(75)
Net cash inflow/(outflow) from investing activities	(1,317)	(1,317)	(440)	(438)
CASH FLOW FROM FINANCING ACTIVITIES				
Increase/(decrease) in loans assigned to internal securitisation trust	31 -	182,961	-	55,921
(Increase)/decrease in Class A and Class B notes arising from internal securitisation trust	19 -	(199,602)	-	(54,447)
Net cash (outflow)/inflow from financing activities	-	(16,641)	-	1,474
Net increase/(decrease) in cash held	12,493	12,493	(18,316)	(18,301)
Cash and cash equivalents at the beginning of year	8,293	8,293	26,609	26,594
Cash and cash equivalents at the end of year	17 20,786	20,786	8,293	8,293

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: CORPORATE INFORMATION

G&C Mutual Bank Limited (the Bank), is a public company incorporated and domiciled in Australia. The financial report of G&C Mutual Bank and its controlled entity, together the Group (the Consolidated Entity), for the year ended 30 June 2020 was authorised for issuance in accordance with a resolution of the Directors on 22 September 2020. The Directors have the power to amend and reissue the financial report. The members are the owners of G&C Mutual Bank.

The registered office is located at Level 25, 201 Elizabeth Street, Sydney NSW 2000.

The nature of the operations and principal activities of G&C Mutual Bank are described in the Directors' Report.

NOTE 2: BASIS OF PREPARATION OF THE FINANCIAL REPORT

The financial report of G&C Mutual Bank is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

G&C Mutual Bank is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on a going concern basis generally using historical cost treatment, except for the derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVTPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI).

The functional and reporting currency is Australian Dollars. G&C Mutual Bank is a company referred to in the Australian Securities and Investments Commission (ASIC) issued instrument, ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The Bank has elected to apply Class Order 10/654 which allows companies, registered schemes and disclosing entities that present consolidated financial statements to also present parent entity financial statements for the year ended 30 June 2020.

The financial report includes separate financial statements for G&C Mutual Bank as an Individual Entity (the Parent) and the Consolidated Entity consisting of G&C Mutual Bank and its subsidiary for the financial year ended 30 June 2020.

Where necessary, comparative information has been restated to conform to changes to presentation in the current year.

NOTE 3: STATEMENT OF COMPLIANCE WITH IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

NOTE 4: CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended accounting standards and interpretations

In these financial statements, the Bank has applied AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatments for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard and Interpretation are described below.

Several other amendments and interpretations apply for the first time in the year ended 30 June 2020, but do not have an impact on the Bank's consolidated financial statements. The Bank has not early adopted any other standard, interpretations or amendments that has been issued but is not yet effective.

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 July 2019, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended accounting standards and interpretations (continued)

(a) AASB 16 - Leases

AASB 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases were previously accounted for under AASB 117 Leases. Lessees are required to recognise a lease liability measured at the present value of remaining cash flows and a right-of-use (ROU) asset measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received. Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made. The right-of-use asset will amortise to the income statement over the life of the lease. As permitted by the standard the Bank has applied AASB 16 on a modified retrospective basis without restating prior years. The difference in the ROU assets and lease liability recognised on 1 July 2019 is reflected in retained earnings.

The Bank has commercial property lease contracts for the head office premise and various service centres and lease contracts for equipment. Before the adoption of AASB 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 7(j) for the AASB 16 accounting policy (effective from 1 July 2019) and AASB 117 accounting policy (pre 1 July 2019).

On adoption of AASB 16, the benefit of lease incentives which were previously accounted for as a reduction of rental expense over the lease term and disclosed as lease incentive liabilities was reversed and accounted for in the measurement of the ROU under AASB 16.

The Bank measures the lease liability for the commercial property leases at the present value of the remaining lease payments discounted at the Bank's incremental borrowing rate. The lease liability for equipment leases is measured at the present value of the remaining lease payments discounted at the interest rate implicit in the lease.

The Bank also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous under AASB 137 immediately before the date of initial application in lieu of a right-of-use asset impairment assessment under AASB 136
- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The impact of adopting AASB 16 on the Bank's statement of financial position at 1 July 2019 is as follows:

	AASB 117 Carrying Amount as at 30 June 2019	Reclassification on adoption of AASB 16	AASB 16 Carrying Amount as at 1 July 2019
	\$'000	\$'000	\$'000
Assets			
Right-of-use assets	-	3,080	3,080
Deferred tax asset	1,637	107	1,744
	<u>1,637</u>	<u>3,187</u>	<u>4,824</u>
Liabilities			
Lease liabilities	-	5,061	5,061
Lease incentive liability	1,702	(1,702)	-
	<u>1,702</u>	<u>3,359</u>	<u>5,061</u>
Net Assets	90,856	(172)	90,684
Retained earnings	90,856	(172)	90,684

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<u>\$'000</u>
Operating lease commitments as 30 June 2019	5,676
Effect of discounting lease commitments (i.e. remaining lease payments) using the weighted average interest rate implicit in equipment leases and incremental borrowing rate for commercial property leases for the head office premises and service centres.	(615)
Total lease liabilities as at 1 July 2019 under AASB 16	<u>5,061</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 4: CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended accounting standards and interpretations (continued)

(b) AASB Interpretation 23 Uncertainty over Income Tax Treatments (Interpretation 23)

AASB Interpretation 23 clarified the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant profit or loss, tax base, unused tax losses and unused tax credits or tax rates.

The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

Upon adoption of the Interpretation, the Bank considered whether it has any uncertain tax positions and concluded there were none. The Interpretation did not have an impact on the financial statements of the Bank.

NOTE 5: CHANGES IN COMPARATIVES

Statement of financial position (Parent)

The Bank has reclassified 'Notes receivable from the securitisation trust' in the statement of financial position to better reflect the nature of the underlying asset. 'Notes receivable from the securitisation trust' were reclassified from 'Loans and advances' to 'Debt instruments at amortised cost'. The comparative information has been reclassified to conform with these changes in the current year as set out below.

	Prior year disclosure	Reclassification of "Notes receivable from the securitisation trust"	Restated disclosure
	\$'000	\$'000	\$'000
Loans and advances	856,891	(124,280)	732,611
Debt instruments at amortised cost	275,439	124,280	399,719

NOTE 6: BASIS OF CONSOLIDATION

The consolidated financial statements include those of G&C Mutual Bank and a Special Purpose Vehicle (SGE Funding Trust No. 1, "the securitisation trust" or subsidiary) relating to the issuance of residential mortgage-backed securities (RMBS) that are issued by the securitisation trust and held by the Bank for entering into a repurchase agreement with the Reserve Bank of Australia for short term funding requirements. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Group's statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial Instruments - Initial Recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to members and balances due to members, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to members are recognised when funds are transferred to the members' accounts. The Bank recognises balances due to members when funds are transferred to the Bank.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Note 7(c). Financial instruments are initially measured at their fair value (as defined in Note 7(b)), except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables, loans and advances are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss in accordance with the policy below.

Day 1 profit or loss

When a transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and the fair value in the profit and loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is recognised in profit and loss when the inputs become observable, or when the instrument is derecognised. The amount deferred can be recognised on a straight line basis over time.

(ii) Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVTPL)

The Bank classifies and measures its derivative portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if doing so eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

(b) Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- **Level 1 financial instruments** – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- **Level 2 financial instruments** – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- **Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as a whole.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial assets and liabilities

(i) Financial Assets Measured at Amortised Cost

The Bank measures 'Due from other financial institutions', 'Loans and advances' and 'Other financial assets' at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Interest (SPPI) test

As a second step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(ii) Derivatives recorded at fair value through profit or loss**

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into derivative transactions with various counterparties. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income, unless hedge accounting is applied. Hedge accounting disclosures are provided in note 7(n).

(iii) Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test

As at 30 June 2020 the Bank had no debt instruments at FVOCI.

(iv) Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the Effective Interest Rate (EIR).

(v) Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under AASB 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis, or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss under non-interest income with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own Credit Reserve through other comprehensive income (OCI) and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, taking into account any discount/premium and qualifying transaction costs being an integral part of the instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as 'Non-interest income' when the right to the payment has been established.

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(vi) Derecognition of financial assets and liabilities****Derecognition due to the substantial modification of terms and conditions**

The Bank derecognises a financial asset, such as a loan to a member, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired (POCI). When assessing whether or not to derecognise a loan to a member, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantially based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification**Financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

(d) Impairment of financial assets**(i) Overview of the Expected Credit Loss (ECL) principles**

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under AASB 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the Lifetime Expected Credit Loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment of financial assets (continued)**(ii) The calculation of ECLs**

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD:	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD:	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD:	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

Stage 1:	The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios, as explained above.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
Stage 3:	For loans considered credit-impaired, the Bank recognises the LTECLs for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
POCI	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in LTECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit adjusted EIR.

In its ECL model, the Bank considers a broad range of information when assessing credit risk and measuring expected credit losses, including past experience, current economic conditions and forward looking information such as GDP growth, unemployment rates and house price indices.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(iii) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Net Interest Income

Interest income and interest expense on financial assets and liabilities are recognised as interest accrues by applying the effective interest rate (EIR) 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 including any fees or costs through the expected life of the financial instrument to the net carrying amount of the financial asset.

Loan interest is calculated on the daily balance outstanding and is charged to a member's account on a monthly basis.

(f) Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its members. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled to in exchange for providing the service.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

When the Bank provides a service to its members, consideration is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the member.

(g) Dividend income

Dividend income is recorded in 'Non-interest income' when the Bank's right to receive the payment is established.

(h) Other income

Other income is recorded in 'Non-interest income' on an accrual basis once a right to receive consideration has been established.

(i) Income Tax

The income tax expense 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 (if applicable).

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, based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also 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 statement of comprehensive income, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) (i) Leases (policy applicable pre 1 July 2019)

When the Bank is a lessee, it engages in operating leases in which a significant portion of the risks and rewards of ownership are not transferred to the Bank. Payments made under operating leases (net of any incentives received from the lessor) are charged to operating expenses on a straight-line basis over the period of the lease.

(ii) Leases (policy applicable from 1 July 2019)

At inception of a contract the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and
- The Bank has the right to direct the use of the asset.

As a lessee, the Bank recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement of the lease, discounted using the Bank's incremental borrowing rate or the implicit interest rate. The weighted average incremental borrowing rate applied by the Bank for commercial property leases for head office and service centre premises in the year to 30 June 2020 was 3%. The implicit interest rates used by the Bank for equipment leases ranged from 9% to 12%.

The lease liability will increase for the accrual of interest, and will result in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred and less any lease incentives received.

The ROU asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is subsequently re-measured when there is a change in future lease payments arising from a change in index or rate, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

Where the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to zero.

The Bank has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less or leases for low value assets. The Bank recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

For the statement of financial position, ROU assets have been disclosed as a separate line and the lease liabilities are included within Other Liabilities.

(k) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and deposits at call that are readily convertible to known amounts of cash.

Cash and cash equivalents are measured at face value. Interest is recognised in the statement of comprehensive income using the EIR method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and deposits at call net of outstanding bank overdrafts.

(l) Other assets

Other assets include amounts owed to the Bank for services provided, reimbursements of expenses incurred on behalf of a third party and interest accrued on deposits due from other financial institutions which is received on maturity. Amounts due for services provided are normally settled within 30 days.

Other assets are initially recorded at fair value. At reporting date, other assets are measured at amortised cost, less any allowance for impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.

(n) Hedge Accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges (Interest Rate Swaps), are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the statement of comprehensive income within interest expense, together with changes in the fair value of the hedged fixed rate borrowings or deposits attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the statement of comprehensive income within 'Non-interest income' or 'Other operating expenses'. The Bank did not designate any derivatives into the cash flow hedge accounting relationships.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR methodology is used, is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(o) Property, plant and equipment

Each category of property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

(i) Plant and Equipment

Plant and equipment are measured on the historical cost basis less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they occurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any decrease in the carrying amount of cash generating unit (CGU) to which the plant and equipment is allocated is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the statement of comprehensive income in the year the asset is derecognised.

(iii) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

• Leasehold improvements	5 to 15 years (or the period of the remaining lease term)
• Plant and equipment	3 to 10 years

(iv) Property, plant and equipment and intangible assets

The Bank assesses assets for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value of the cash generating unit (CGU) to which the plant and equipment is allocated may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank 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 an 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.

(p) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable that the assets will generate future benefit to the Bank and are measured at cost.

(i) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT development and software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on developing such products or systems.

IT development and software costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Bank has an intention and ability to use the asset. Costs incurred on software maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Intangible assets (continued)**(ii) Amortisation with Finite Useful Life**

Intangible assets are amortised from the point at which the assets are ready for use on a straight line basis over their estimated useful lives as follows:

- IT development and software 3 to 5 years

(q) Deposits

All deposits are initially recognised at the fair value of the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the EIR method subject to a floor of no less than amount repayable on demand.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity.

(r) Other financial liabilities

Other financial liabilities include a Term Funding Facility (TFF) with the Reserve Bank.

On 19 March 2020 the Reserve Bank announced a Term Funding Facility (TFF) to support lending to businesses, especially small and medium-sized businesses. As at 30 June 2020 the carrying amount of the TFF was \$38.5 million comprising an initial allowance of \$22.2 million and an additional allowance of \$16.3 million.

The Initial Allowance is a three year facility with a fixed interest rate of 0.25% per annum.

The carrying value of the additional allowance may increase or decrease over time depending on the change in the loans outstanding to small and medium sized businesses.

The funding is collateralised by residential mortgage backed securities issued by the Bank.

The TFF is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method.

(s) Other liabilities

Other liabilities are carried at amortised cost and represent accrued interest on deposits, liabilities for unpaid goods and services provided to the Bank prior to the end of financial year and clearing account balances as at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

(t) Provisions

Provisions are recognised when the Bank:

- has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past events; and
- it is probable that a future loss of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

(i) Employee benefits**Short-term obligations**

Liabilities for salary, wages and employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are recognised in accrued expenses and disclosed in note 30.

Contributions are made by the Bank to an employee's superannuation fund and are charged to the statement of comprehensive income as incurred and are disclosed in 'Employment expense'.

Long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits 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. Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using corporate bond market yields at the end of the reporting period with terms and currencies that match, as closely as possible, the estimated future cash outflows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 7: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Provisions (continued)**(i) Employee benefits****Long-term employee benefit obligations (continued)**

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and the Bank is legally released from the obligation and does not retain a constructive obligation.

(ii) Retirement benefits

Retirement benefits may be payable to the Bank's Directors in circumstances where those Directors, under the terms of a Deed, serve as a Director for a continuous period of at least ten years (or seven years where the Director is older than 65 years of age as at the retirement date). The maximum amount of the retirement benefit that can be paid will not be greater than the sum of the last three years of remuneration. Retirement benefits are measured as the present value of expected future payments to be made in respect of services provided by Directors up to the reporting date and are included in the provision for other employment benefits.

(iii) Make Good

A provision has been made for the present value of anticipated future costs of restoration of leased premises. The provision includes future cost estimates associated with dismantling furniture and fittings. An asset is created as a result of this provision which is included in leasehold improvements. This asset is amortised over the effective remaining life of each lease. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each service centre is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for service centres are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision.

(u) Goods and services tax (GST)

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

Revenue, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

This note should be read in conjunction with note 9 - Impact of Coronavirus (COVID-19) which provides further information on the impact of COVID-19 on critical accounting estimates and judgements.

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to the judgements/estimates involved.

(i) Impairment losses on financial assets

The measurement of impairment losses under AASB 9 across all financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL model that are considered accounting judgements and estimates include:

- The Banks criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including various formulas and choice of inputs
- The segmentation of financial assets for the purposes of assessing and measuring ECL
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

It is the Bank's policy to regularly review its model in the context of actual loss experience and adjust where necessary.

(ii) Post employment benefits

The Bank estimates the provision for post employment benefits using the present value of expected future payments to be made in respect of services provided by employees and Directors up to the reporting date.

(iii) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: IMPACT OF CORONAVIRUS (COVID-19)

(i) Background

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Whilst the outbreak of COVID-19 is primarily a public health issue, it is also having very significant effects on economies and financial systems around the world.

Since the onset of COVID-19 there has been a severe economic contraction in Australia severely impacting labour markets and disrupting financial markets.

The Australian economy is being supported by the substantial, coordinated and unprecedented easing of fiscal and monetary policy and the government's income support measures.

In response, the Reserve Bank of Australia (RBA) has injected substantial liquidity into the financial system through its daily open market operations to support credit and maintain low funding costs in the economy.

The outlook for the economy and labour market remains highly uncertain and will depend on the evolution of the pandemic, including changes in social distancing and medical advances, fiscal and monetary policy support and behavioural changes among households and businesses.

(ii) Consideration of the impact of COVID-19 in the financial statements

Note 8 sets out the critical accounting estimates and judgements required in the preparation of the consolidated financial statements. The Bank has considered the impact of COVID-19 in preparing the financial statements for the year ended 30 June 2020. The key impacts on the financial statements, including the application of critical estimates and judgements, are as follows:

Loans and advances

The Bank has introduced a number of measures to support members impacted by COVID-19 which include loan repayment deferrals for retail and small business borrowers. As at 30 June 2020, the carrying value of loans originated by the Bank that were subject to COVID-19 related repayment deferral arrangements was \$27.2 million comprising mortgage loans of \$21.5 million, commercial loans of \$5.4 million and personal loans of \$0.3 million. The repayment deferral arrangements include loans where borrowers had previously been making principal and interest repayments and who requested a temporary change to interest-only repayments since the onset of the COVID-19 pandemic.

The carrying value of loans where borrowers had previously been making principal and interest repayments and who requested a temporary change to interest-only repayments since the onset of the COVID-19 pandemic was \$12.7 million as at 30 June 2020 representing 1.6% of the total loan portfolio.

The carrying value of loans that have been granted a repayment deferral (excluding the above interest-only deferral arrangements) was \$14.5 million as at 30 June 2020 representing 1.9% of the total loan portfolio

The loan repayment deferral arrangements were deemed continuations of the borrowers' existing loans. No modification gains or losses were recognised as a result of the loan repayment deferrals.

Provisions for impairment

Impairment provisions are based on a forward-looking expected credit loss (ECL) approach that is required under AASB 9: Financial Instruments and requires the application of judgement. The Bank has assessed expected credit losses based on reasonable and supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions, consideration has been given to the effects of COVID-19 and the significant government support measures being undertaken, noting there remains a very high degree of uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the economic downturn and the speed of economic recovery.

In response to COVID-19 the Bank undertook a review of the loan portfolio and the ECL methodology for loan loss impairment provisioning. The review considered the macroeconomic outlook, credit quality, the type of collateral held, exposure at default and the mitigating impacts of government and industry assistance packages including loan repayment deferral arrangements.

The ECL methodology for loan loss impairment provisioning remains consistent with prior periods. The model inputs have been reassessed including forward looking information, scenarios and associated probability weightings and revised where considered appropriate. The Bank uses three macro-economic scenarios (a base case, an upside and a downside) to reflect an unbiased probability-weighted range of future outcomes in estimating expected credit losses. The Bank has increased the probability weighting on the downside scenario from 20% to 40% and applied overlays in adjusting the modelled ECL to cover risks that may not be otherwise captured by the ECL model.

The Bank has assessed whether there has been a significant increase in credit risk (SICR) by comparing the risk of default occurring over the expected life of financial assets at reporting date to the corresponding risk of default at the date of initial recognition. For credit exposures for which there has been a significant increase in credit risk since initial recognition, the loss allowance is calculated based on the credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The Bank's assessment of significant increase in credit risk (SICR) includes both past due information and forward-looking information such as the arrears status of a loan, the borrower entering into financial hardship status and the impact of forward looking information for emerging risks at an industry, geographic and or portfolio segment level. The Bank also notes the level of uncertainty of collateral values, particularly for the mortgage loan portfolio secured by residential property. Security valuations impact the expected credit loss provision and there is increased uncertainty in this area.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: IMPACT OF CORONAVIRUS (COVID-19) (continued)

The uptake of a COVID-19 loan repayment deferral does not itself constitute a significant increase in credit risk (SICR) event unless the exposure is considered to have experienced a SICR based on the available information. The Bank has assessed each loan with a repayment deferral to determine if changes in the borrower's circumstances identified a SICR. Many of the loans subject to COVID-19 loan repayment deferral arrangements were performing prior to COVID-19 and either, continue to perform, or have prospects of recovery once government restrictions are eased. As a result, loans with a COVID-19 repayment deferral that are technically greater than 30 days in arrears have been modelled within stage 1 of the ECL methodology for loan loss impairment provisioning.

In particular, we note the requirements of AASB 9 for including multiple economic scenarios in determining expected credit losses. As a result of the COVID-19 pandemic, there is a high degree of uncertainty in assessing the (i) range, (ii) probability of future economic conditions, and (iii) the impact on the loan portfolios. This has a significant impact on the level of expected credit loss provision required, and we draw your attention to this uncertainty.

(ii) Consideration of the impact of COVID-19 in the financial statements (continued)

Fair value measurement

The Bank has considered the impact of economic and market conditions on the fair value measurement assumptions and the appropriateness of the valuation inputs. The Bank has estimated the fair value of each of its shareholdings held in unlisted companies based on a variety of valuation techniques. There is increased subjectivity as a result of COVID-19 in determining these valuations. The estimated fair value of each shareholding held in unlisted companies as at 30 June 2020 is set out in note 23.

Events subsequent to reporting date

There remains a very high degree of uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the economic downturn and the speed of economic recovery. In accordance with AASB 110 Events after the Reporting Date, the Bank considered the macro-economic impact of COVID-19 and the measures implemented by the government to contain COVID-19 and the extension of further government support measures.

The Bank did not identify any subsequent events in relation to COVID-19 developments which would require adjustment to the amounts or disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT

(a) Overview of Risk Governance

The risk governance structure is the ultimate responsibility of the Board and its sub-committees including the Board Risk Committee, the Board Audit Committee and the Board Governance, Nominations & Remuneration Committee.

The Board delegates responsibilities to the Chief Executive Officer, Executive Management and Senior Management, whilst acknowledging that it retains overall responsibility for risk governance.

The Board plays a critical role in the identification and ongoing management of material risks faced by the Bank and defines and sets risk appetite in respect of these risks.

The Board approves and regularly reviews a suite of policies that include reporting mechanisms and specific limits and targets which management adhere to in exercising their delegated authority. These policies are designed to ensure effective risk management and compliance with applicable regulation.

The Bank's 'Three Lines of Defence' risk governance model sets out the responsibilities of each of Management, Group Risk and Internal Audit. The Bank has established Management Committees which are responsible for managing risk and for ensuring that Board and Management policies are adhered to. These Committees meet on a monthly basis and include the Asset and Liability Committee, the Operational Risk Management Committee and the Credit Risk Management Committee.

The Bank holds the following financial instruments by category:

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Financial Assets				
Cash and cash equivalents	20,786	20,786	8,293	8,293
Due from other financial institutions	127,129	102,144	161,407	150,897
Other assets	7,655	17,342	8,312	20,168
Loans and advances	781,147	781,147	732,611	732,611
Debt instruments at amortised cost	346,139	670,021	275,439	399,719
Financial assets at fair value through profit or loss	4,707	4,707	4,416	4,416
	1,287,563	1,596,147	1,190,478	1,316,104
Financial Liabilities				
Deposits	1,124,736	1,124,736	1,022,537	1,022,537
Other liabilities	11,173	11,170	16,932	16,932
Other financial liabilities	38,544	347,131	39,991	165,617
Derivative liabilities	809	809	893	893
	1,175,262	1,483,846	1,080,353	1,205,979

NOTE 10: FINANCIAL RISK MANAGEMENT (continued)

(b) Responding to the Coronavirus Pandemic (COVID-19)

The COVID-19 pandemic has led to a fundamental change in the economic and social environment and introduced new and elevated potential risks to the safety of employees, the resilience of the Bank's operations, the strength of the Bank's balance sheet and the financial security of members of the Bank. The Bank has taken action to address these risks, particularly in the following areas.

Employee health and safety

The increased risk to the safety and welfare of employees has been of paramount concern during the COVID-19 pandemic. To ensure the Bank maintained a safe work environment while providing essential banking services, several measures were implemented in offices and service centres. These measures included but were not limited to rearranging office workstations and use of business continuity sites to ensure physical distancing, facilitating remote working arrangements for employees and providing supplies for sanitisation. The Bank has established regular communications to ensure employees are well informed and up-to-date on COVID-19 developments including government directives, good hygiene practices and social distancing protocols.

Operational resilience

During the initial stages of the pandemic, the Bank had to respond quickly to the changing circumstances and the elevated operational risks posed by COVID-19. The Bank's pandemic response plan and business continuity plan was activated and the Crisis Management Team was formed to assess the impact of COVID-19 and to take the appropriate action to address the changes to the operating environment and emerging risks.

The Bank's focus has been on ensuring the continuity and stability of critical operations and essential services to members. Workplace arrangements for employees have remained relatively unchanged since the onset of the pandemic. The Bank has enhanced the resources and support required by employees to work remotely when required. The head office premises and all service centres have remained open since the onset of COVID-19 to ensure essential services continue to be provided to members. The Bank has been working closely with outsource providers and other key service providers with increased oversight during these challenging times.

Since the onset of COVID, the Bank has managed the impacts of COVID-19 with no significant disruptions to core systems, operations and services to members.

Cyber risk

There has been an increase in the risk of cybercrime and fraud during COVID-19 as cyber criminals seek to gain financially from people's vulnerability, or exploit uncertainty, unprecedented situations and rapid IT and organisational change. The Bank continues to enhance its cyber security program, data leakage protections and fraud risk management which includes ongoing education of staff and members on the dangers of cybercrime activities and system-based identification and mitigation measures.

Support for members

The Bank has introduced a number of measures to support members impacted by COVID-19 which include loan repayment deferrals for retail and small business borrowers. There is a dedicated team to assist members experiencing financial hardship due to COVID-19 in a timely manner with compassion and empathy. The team are communicating with members with repayment deferrals to check on their financial well-being and circumstances, to ensure the assistance offered remains appropriate and continues to meet their needs and offer further assistance where required, within stipulated guidelines.

As at 30 June 2020, the carrying value of loans originated by the Bank that were subject to COVID-19 related repayment deferral arrangements was \$27.2 million comprising mortgage loans of \$21.5 million, commercial loans of \$5.4 million and personal loans of \$0.3 million. The repayment deferral arrangements include loans where borrowers had previously been making principal and interest repayments and who requested a temporary change to interest-only repayments since the onset of the COVID-19 pandemic.

The carrying value of loans where borrowers had previously been making principal and interest repayments and who requested a temporary change to interest-only repayments since the onset of the COVID-19 pandemic was \$12.7 million as at 30 June 2020 representing 1.6% of the total loan portfolio.

The carrying value of loans that have been granted a repayment deferral (excluding the above interest-only deferral arrangements) was \$14.5 million as at 30 June 2020 representing 1.9% of the total loan portfolio

NOTE 10: FINANCIAL RISK MANAGEMENT (continued)

(b) Responding to the Coronavirus Pandemic (COVID-19) (continued)

Credit risk management and loan loss impairment provisioning

The Bank continues to maintain strong credit quality metrics with low-risk residential mortgages comprising approximately 84% of the total loan portfolio with an average weighted loan to valuation ratio (LVR) of 62%.

In response to COVID-19 the Bank undertook a review of the loan portfolio and the ECL methodology for loan loss impairment provisioning. The review considered the macroeconomic outlook, credit quality, the type of collateral held, exposure at default and the mitigating impacts of government and industry assistance packages including loan repayment deferral arrangements. The probability weightings assigned to the three forward-looking macroeconomic scenarios (i.e. a base case, an upside and a downside) used in the ECL modelling were reassessed and updated in light of forward looking economic conditions (refer note 22(c)).

The Board and Management continue to actively monitor the credit quality of the loan portfolio and loan loss impairment provisioning.

Liquidity management

The Bank has maintained significant liquidity buffers (above the minimum regulatory limit of 12%) for use if needed during times of stress. The MLH ratio at 30 June 2020 was 29.23% and the average MLH ratio during the year was 23.82%.

In response to COVID-19 the Bank reviewed its contingency liquidity plan and increased the size of its self/internal securitisation facility which is linked to a Repurchase Agreement (REPO) Facility with the Reserve Bank of Australia (RBA). The internal securitisation facility forms part of the Bank's liquidity management strategy and can be accessed in a liquidity crisis.

On 19 March 2020 the Reserve Bank of Australia (RBA) announced a term funding facility (TFF) to support ADI's in lending to businesses, especially small and medium-sized businesses. G&C Mutual Bank has accessed the term funding facility and as at 30 June 2020 the carrying amount of the TFF was \$38.5 million. The TFF is a three year facility with a fixed interest rate of 0.25% per annum. The funding is collateralised by residential mortgage backed securities issued by G&C Mutual Bank.

Ongoing monitoring

The COVID-19 situation continues to evolve and will likely present new challenges and risks in the short to medium term as the operating environment oscillates between restriction and relaxation. Planning for operational resilience to deal with future uncertainties and evolving risks is a strategic priority for the Board and Management together with maintaining the financial strength of the Bank and supporting members during these difficult times.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: 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. The Board has established limits on Value at Risk (VaR) and sensitivity for stipulated periods. Assets and liabilities are placed into the maturity bucket where the contract or agreement is due to be repaid or when the interest rate may be refixed or renegotiated. Positions are monitored and hedging strategies are considered on a daily basis to ensure positions are maintained within the established limits.

Existing interest rate swaps are designated as hedging instruments in a portfolio hedge accounting relationship against the fair value interest rate risk of the underlying portfolio of fixed rate loans. The Bank makes use of monthly repricing buckets out to 1 year and then six-monthly repricing buckets from 1 year to 5 years. The hedged items are designated into the repricing buckets based on the expected repricing date. These dates are estimated through changes in interest rate and prepayment behaviour.

Interest rate swaps are also designated as hedging instruments in a portfolio hedge accounting relationship against the fair value interest rate risk of fixed term deposits. The Bank accepts fixed term deposits that typically pay interest either on maturity if the deposit is for a period of less than one year or annually and then on maturity if the deposit is for greater than one year to maturity. The Bank makes use of monthly repricing buckets out to 1 year and then six-monthly repricing buckets from 1 year to 5 years. The hedged items are designated into the bucket in which the interest is payable.

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
The Notional Values of the interest rate swap portfolio	60,000	60,000	103,350	103,350

The gain (or loss) on the interest rate swap portfolio is as follows:

Hedging Instrument - Interest Rate Swaps	94	94	(951)	(951)
Hedged Item attributable to the hedged risk	(84)	(84)	930	930
	<u>10</u>	<u>10</u>	<u>(21)</u>	<u>(21)</u>

(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 the 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 Bank is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

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

A 20 day 99% VaR measure has been used to capture the interest rate risk exposures.

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
20 day 99% confidence interval				
VaR exposure at 30 June	1,330	1,330	796	796

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(c) Interest Rate Risk (continued)

(ii) Prepayment Risk

Prepayment risk is the risk that the Bank will incur a financial loss because its members and counterparties repay or request repayment earlier. The Bank is not exposed to abnormal prepayment risk.

(d) Credit Risk

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

The Bank has established a collections review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The collections review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Where appropriate, the Bank 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 review renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Included within 'Loans and advances' in the statement of financial position are funds committed by the Bank via unconsolidated structured entities in accordance with the Bank's risk appetite.

The Bank has exposure to unconsolidated structured entities in the form of commitments made to these vehicles. These commitments are transferred to these vehicles to fund loans and pay a return based on the returns of, and exposure to, those loans. The nature and extent of the Bank's exposure in these entities is summarised below.

	2020 \$'000	2019 \$'000
Personal Loans		
Society One P2P Lending Trust	24,590	24,856
Rate Setter Wholesale Lending Platform	8,901	9,930
Commercial Loans		
Lannock Capital No.5 Trust	24,053	22,153
Medpro Finance No.4 Unit Trust	21,329	23,168
Total	78,873	80,107

(i) Concentration of loans

Credit risk is concentrated when a number of counterparties are engaged in similar activities, have similar economic characteristics and thus may be similarly affected by changes in economic or other conditions. The Bank monitors its credit portfolio to manage risk concentrations and rebalance the portfolio.

The Bank has exposure limits governing the size of credit exposures to individuals and portfolios.

There are no loans to individuals or related groups of individuals which exceed 10% of loans and advances in aggregate.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit Risk (continued)

(ii) Maximum exposure to credit risk

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

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Credit risk exposures relating to 'recognised assets':				
Cash and cash equivalents	20,786	20,786	8,293	8,293
Due from other financial institutions	127,129	102,144	161,407	150,897
Debt instruments at amortised cost	346,139	670,021	275,439	399,719
Other assets	7,655	17,342	8,312	20,168
Loans and advances	781,934	781,934	734,186	734,186
Total 'recognised assets'	1,283,643	1,592,227	1,187,637	1,313,263
Credit risk exposures relating to 'unrecognised assets':				
Undrawn loan commitments	70,670	70,670	60,082	60,082
Total 'recognised and unrecognised assets'	1,354,313	1,662,897	1,247,719	1,373,345

(iii) Collateral

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

The main type of collateral obtained is mortgages over residential properties. Management monitors the market value of residential properties by using the information and analytics services of an independent external data provider.

It is the Bank's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

During the financial period, the Bank has acquired \$Nil (2019: \$Nil) of real estate and other assets through the enforcement of security. As at period-end, there are no such assets owned by the Bank. The Bank does not take physical possession of properties or other assets held as collateral and 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.

(iv) Impairment assessment

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers 'Due from other financial institutions' and 'Debt instruments at amortised cost' defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events would include:

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(d) Credit Risk (continued)

(v) Individually assessed provisions

Individually assessed provisions are determined for loans identified as being impaired, in that they are unlikely to be repaid in full and the value of the collateral, where applicable, is not expected to be enough to cover the outstanding amount.

Credit facilities are monitored and assessed on a regular basis to identify non-performing credit facilities which exhibit key stress factors that act as triggers for facilities to be included on a Credit Risk Management Report. The Bank uses sound credit judgement to recognise, measure and provide for each credit facility deemed a Credit Risk Management account.

(vi) Collectively assessed provisions

Collective provisions are based on the forward-looking expected credit loss (ECL) approach that is required under AASB 9 Financial Instruments.

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

(vii) Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank considers an exposure to have significantly increased in credit risk based on a number of factors, such as moving a member or facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 10d(iv) are a significant increase in credit risk as opposed to a default. If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(viii) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to impairment expense.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(ix) Credit quality of financial assets classified as 'Due from other financial institutions' and 'Debt instruments at amortised'

The credit quality of financial assets classified as 'Due from other financial institutions' and 'Debt instruments at amortised cost' (note 18 & note 19) can be assessed, with reference to external long term credit ratings (if available):

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
External credit rating				
AAA	46,980	345,876	30,308	144,078
AA	41,537	41,537	52,431	52,431
A	78,890	78,890	64,818	64,818
BBB	171,875	171,875	160,540	160,540
Unrated	133,987	133,987	128,749	128,749
Total	473,269	772,165	436,846	550,616

(e) Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. It is the policy of the Board of Directors that the Bank maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Bank manages liquidity risk by:

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

The Bank has a longstanding arrangement with the industry liquidity support scheme, Credit Union Financial Support Scheme (CUFSS), which can access industry funds to provide liquidity support at short notice. CUFSS is the Australian Mutual banking industry self-funded and operated "emergency" liquidity support scheme. The Bank also has an internal securitisation facility to manage liquidity risk and has access to term funding facility provided by the Reserve Bank of Australia (RBA).

The Bank is required to maintain at least 12% of its liabilities in a portfolio of liquid assets known as Minimum Liquidity Holdings (MLH) that can be easily liquidated in the event of an unforeseen interruption to cash flow. 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 Bank. The most important of these is to maintain minimum regulatory limits on the ratio of MLH to total liabilities, set to reflect market conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity Risk (continued)

The Board has determined a target MLH liquidity ratio of 14%. In the event that the Bank's MLH liquidity ratio falls below 14%, specific remedial measures are required to be taken by the Board and management.

The MLH ratio at 30 June 2020 was 29.23% (2019: 20.00%). The average MLH ratio during the period was 23.82% (2019: 21.45%), with the highest end of month MLH ratio during the year being 29.23% (2019: 25.37%) and the lowest end of month MLH ratio during the year being 20.70% (2019: 17.78%).

Maturities of financial liabilities

The table below analyses the Bank's financial liabilities into relevant maturity groupings based on undiscounted cash flows.

Financial Liabilities	Consolidated						Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	
As at 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	502,301	321,734	262,488	38,213	-	-	1,124,736
Derivative liabilities	-	809	-	-	-	-	809
Other financial liabilities	-	-	-	38,544	-	-	38,544
Total financial liabilities	502,302	322,543	262,488	76,757	-	-	1,164,089
Commitments	-	18,203	-	-	-	52,466	70,669
Total commitments	-	18,203	-	-	-	52,466	70,669

Financial Liabilities	Consolidated						Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	
As at 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	410,802	319,118	199,797	92,820	-	-	1,022,537
Derivative liabilities	-	14	138	741	-	-	893
Other financial liabilities	-	19,974	20,017	-	-	-	39,991
Total financial liabilities	410,802	339,106	219,952	93,561	-	-	1,063,421
Commitments	-	9,253	-	-	-	50,829	60,082
Total commitments	-	9,253	-	-	-	50,829	60,082

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(e) Liquidity Risk (continued)

Financial Liabilities	Parent						Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	
As at 30 June 2020	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	502,301	321,734	262,488	38,213	-	-	1,124,736
Derivative liabilities	-	809	-	-	-	-	809
Other financial liabilities	-	-	-	38,544	308,587	-	347,131
Total financial liabilities	502,302	322,543	262,488	76,757	308,587	-	1,472,676
Commitments	-	18,203	-	-	-	52,466	70,669
Total commitments	-	18,203	-	-	-	52,466	70,669

Financial Liabilities	Parent						Total
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	
As at 30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	410,802	319,118	199,797	92,820	0	-	1,022,537
Derivative liabilities	-	14	138	741	-	-	893
Other financial liabilities	-	19,974	20,017	-	125,626	-	165,617
Total financial liabilities	410,802	339,106	219,952	93,561	125,626	-	1,189,047
Commitments	-	9,253	-	-	-	50,829	60,082
Total commitments	-	9,253	-	-	-	50,829	60,082

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 10: FINANCIAL RISK MANAGEMENT (Continued)

(f) 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 Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage these risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of the Bank's internal audit function.

The Bank manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Operational Risk Management Committee under policies approved by the Board after recommendation from the Board Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

(g) Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in its business, and adequately meeting the Capital adequacy requirements stipulated by the Australian Prudential Regulation Authority (APRA).

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

The Bank 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 Bank will maintain, based on the outcomes of its annual capital planning processes, a specified 'internal minimum' capital ratio.

Under Basel III rules, APRA require authorised deposit-taking institutions to have a minimum ratio of capital to risk weighted assets of 8%, with at least 6% of this capital in the form of Tier 1 capital and at least 4.5% of this capital in the form of Common Equity Tier 1 capital. In addition, APRA imposes ADI-specific minimum capital ratios which may be higher than these levels.

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 is defined as the sum of Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 11: INTEREST INCOME	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	126	126	353	353
Due from other financial institutions - calculated using EIR	2,281	2,190	1,880	1,735
Debt instruments at amortised cost	5,346	5,346	8,498	8,498
Loans and advances - calculated using EIR	31,154	31,154	33,511	33,511
Interest income on notes receivable from securitisation trust - calculated using EIR	-	3,389	-	4,085
Total interest income	38,907	42,205	44,242	48,182
NOTE 12: INTEREST EXPENSE				
Deposits calculated using EIR	11,910	11,910	14,432	14,432
Other financial liabilities - calculated using EIR	2,069	2,069	3,793	3,793
Loans assigned to securitisation trust	-	6,608	-	5,091
Other interest expense	5	5	15	15
Total interest expense	13,984	20,592	18,240	23,331
NOTE 13: NON-INTEREST INCOME				
Loan fees	804	804	669	669
Transaction fees	2,258	2,258	2,602	2,602
Insurance and other commissions	243	243	257	257
Gain on sale of property, plant & equipment	8	8	11	11
Fair value gain on financial assets	291	291	573	573
Rental income	-	-	5	5
Dividend income	86	86	53	53
ATM income	16	16	45	45
Other non-interest income	590	3,839	148	1,263
Total non-interest income	4,296	7,545	4,363	5,478

Other non-interest income earned by the Parent includes surplus income distributions from the controlled entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 14: OPERATING EXPENSES	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Impairment expense				
Change in provision for impairment of loans & advances	(915)	(915)	151	151
Bad debts written off	1,292	1,292	1,609	1,609
Bad debts recovered	(226)	(226)	(352)	(352)
	151	151	1,408	1,408
Employment expense				
Salaries and wages	7,783	7,783	7,452	7,452
Superannuation expense	643	643	568	568
Other employee benefits expense	1,518	1,518	2,134	2,134
	9,944	9,944	10,154	10,154
Office occupancy expense				
Rental expense on operating leases	-	-	903	903
Other office occupancy costs	562	562	596	596
	562	562	1,499	1,499
Depreciation and amortisation expense				
Depreciation of plant & equipment	424	424	330	330
Amortisation of intangible assets	346	346	521	521
Depreciation of right-of-use assets	866	866	-	-
	1,636	1,636	851	851
Information technology and communication expense				
Hardware and software maintenance	1,821	1,821	1,883	1,883
Communications expense	112	112	136	136
Other information technology expense	915	915	497	497
	2,848	2,848	2,516	2,516
Other operating expenses				
Interest charges - leases	155	155	-	-
Marketing and development	405	405	144	144
Loss on disposal of assets	1	1	2	2
Board and committee expenses	492	492	500	500
Membership protection and benefits	1,222	1,222	941	941
General administration expenses	966	905	937	900
Loan administration costs	393	393	407	407
Member transaction costs	1,112	1,112	1,210	1,211
Other operating expenses	801	801	480	480
	5,547	5,486	4,621	4,585
Total operating expenses	20,688	20,627	21,049	21,013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INCOME TAX

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
(a) Income tax expense				
Current year tax payable	1,845	1,845	2,581	2,581
Over-provision for income tax in prior year	(220)	(220)	-	-
(Increase)/decrease in deferred tax assets - current year	686	686	199	199
Income Tax Expense	2,311	2,311	2,780	2,780
Movement in deferred tax asset for the year				
Increase/(decrease) in deferred tax asset - current year	(686)	(686)	(199)	(199)
Impact of the adoption of AASB 9: Financial Instruments on deferred tax asset	-	-	350	350
Impact of the adoption of AASB 16: Leases on deferred tax asset	107	107	-	-
Total net movement in deferred tax asset	(579)	(579)	151	151
(b) Reconciliation between the accounting profit multiplied by the Australian tax rate and the income tax expense shown on the statement of comprehensive income				
Net profit before tax	8,531	8,531	9,316	9,316
Tax at the Australian base rate entity company tax rate of 27.5% (2019: 27.5%)	2,346	2,346	2,795	2,795
Add tax effect of:				
Fully franked dividends received	(37)	(37)	(23)	(23)
Non deductible entertainment expenditure	16	16	7	7
Over-provision for income tax in prior year	(220)	(220)	-	-
Decrease in deferred tax asset due to lower tax rate for base rate entities	206	206	-	-
Other	-	-	2	2
Total income tax expense	2,311	2,311	2,780	2,780

NOTE 16: FRANKING ACCOUNT

The movement in the franking account for the year is set out below:

Franking account balance as at the beginning of the financial year	32,425	32,425	29,619	29,619
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,509	2,509	2,783	2,783
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	37	37	23	23
Franking account balance for future reporting periods	34,972	34,972	32,425	32,425

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 17: CASH AND CASH EQUIVALENTS

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Cash on hand	207	207	296	296
Deposits at call	20,579	20,579	7,997	7,997
Total cash and cash equivalents	20,786	20,786	8,293	8,293

NOTE 18: DUE FROM OTHER FINANCIAL INSTITUTIONS

Deposits with authorised deposit-taking institutions	127,129	102,144	161,407	150,897
Total due from other financial institutions	127,129	102,144	161,407	150,897
Maturity analysis				
Not longer than 12 months *	127,129	102,144	161,407	150,897
Longer than 12 months	-	-	-	-
Total due from other financial institutions	127,129	102,144	161,407	150,897

* Included within this amount is \$24,985,754 (2019: \$10,509,935) which is restricted and not readily available to the securitisation trust or the Bank.

NOTE 19: DEBT INSTRUMENTS AT AMORTISED COST

Debt securities issued by authorised deposit-taking institutions	346,139	346,139	275,439	275,439
Class A and Class B Notes arising from internal securitisation	-	323,882	-	124,280
Total debt instruments at amortised cost	346,139	670,021	275,439	399,719
Maturity analysis				
Not longer than 12 months	193,040	193,040	135,077	135,077
Longer than 12 months	153,099	476,981	140,362	264,642
Total debt instruments at amortised cost	346,139	670,021	275,439	399,719

NOTE 20: OTHER ASSETS

Interest receivable	978	971	1,497	1,486
Intercompany receivable from the securitisation trust	-	9,160	-	11,611
Sundry debtors	10	558	23	289
Clearing accounts	6,012	5,998	6,219	6,209
Prepayments	655	655	573	573
Total other assets	7,655	17,342	8,312	20,168

With the exception of the intercompany receivable from the securitisation trust the majority of the above amounts are expected to be recovered within 12 months of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 21: LOANS AND ADVANCES

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Loans and advances				
Personal Loans	51,818	51,818	53,568	53,568
Mortgage Loans	655,554	655,554	611,552	611,552
Commercial Loans	66,737	66,737	59,606	59,606
Revolving Credit	7,825	7,825	9,460	9,460
Total loans and advances	781,934	781,934	734,186	734,186
Fair value of loans in hedging relationship	810	810	937	937
Less total provision for impairment	(1,597)	(1,597)	(2,512)	(2,512)
Net loans and advances	781,147	781,147	732,611	732,611
(a) Maturity Analysis				
Not longer than 3 months	16,664	16,664	14,288	14,288
Longer than 3 months and not longer than 12 months	2,422	2,422	2,936	2,936
Longer than 12 months and not longer than 5 years	69,472	69,472	76,937	76,937
Longer than 5 years	693,376	693,376	640,025	640,025
Total loans and advances	781,934	781,934	734,186	734,186
(b) Security dissection				
Secured by mortgage over real estate	676,153	676,153	624,487	624,487
Partly secured by goods mortgage	38,690	38,690	41,996	41,996
Wholly unsecured	67,091	67,091	67,703	67,703
Total loans and advances	781,934	781,934	734,186	734,186

The Bank accepts a number of methods for valuing the fair value of collateral supporting loans. Real estate is valued by assessing the current market value using information provided by suitably qualified, independent accredited valuers. Motor vehicles are valued by reference to an independent valuation guide.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: IMPAIRMENT OF LOANS AND ADVANCES

(a) (i) Impairment allowance for loans and advances

	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial Loans	Revolving Credit	Total
	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000	2020 \$'000
Balance as at 30 June 2019	2,198	227	66	21	2,512
Reversal for the year	(844)	(82)	11	-	(915)
Balance as at 30 June 2020	1,354	145	77	21	1,597
Comprising:					
Individual impairment	75	-	-	-	75
Collective impairment	1,279	145	77	21	1,522
Balance as at 30 June 2020	1,354	145	77	21	1,597
	Parent and Consolidated				
	Personal Loans	Mortgage Loans	Commercial Loans	Revolving Credit	Total
	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000	2019 \$'000
Balance as at 30 June 2018	964	112	66	53	1,195
Impact of adoption of AASB 9	967	199	-	-	1,166
Balance as at 1 July 2018	1,931	311	66	53	2,361
Charge for the year	267	(84)	-	(32)	151
Balance as at 30 June 2019	2,198	227	66	21	2,512
Comprising:					
Individual impairment	132	-	-	-	132
Collective impairment	2,066	227	66	21	2,380
Balance as at 30 June 2019	2,198	227	66	21	2,512

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: IMPAIRMENT OF LOANS AND ADVANCES (Continued)

(ii) Analysis of the loans and advances

	Stage 1 (12 month ECL) \$'000	Stage 2 (Lifetime ECL) \$'000	Stage 3 (Lifetime ECL) \$'000	Total \$'000
Balance at 1 July 2019	731,844	1,413	929	734,186
New loans originated	264,481	-	-	264,481
Transferred to Stage 1	1,393	(713)	(680)	-
Transferred to Stage 2	(1,658)	1,658	-	-
Transferred to Stage 3	(2,546)	-	2,546	-
Loans repaid	(213,157)	(1,330)	(972)	(215,459)
Write-offs	-	-	(1,274)	(1,274)
Balance as at 30 June 2020	780,357	1,028	549	781,934

	Stage 1 (12 month ECL) \$'000	Stage 2 (Lifetime ECL) \$'000	Stage 3 (Lifetime ECL) \$'000	Total \$'000
Balance at 1 July 2018	705,329	2,362	2,102	709,793
New loans originated	185,160	-	-	185,160
Transferred to Stage 1	2,875	(1,760)	(1,115)	-
Transferred to Stage 2	(1,206)	1,486	(280)	-
Transferred to Stage 3	(1,133)	(609)	1,742	-
Loans repaid	(159,165)	(66)	(63)	(159,294)
Write-offs	(16)	-	(1,457)	(1,473)
Balance as at 30 June 2019	731,844	1,413	929	734,186

(iii) Changes to impairment provision during the year

	Stage 1 (12 month ECL) \$'000	Stage 2 (Lifetime ECL) \$'000	Stage 3 (Lifetime ECL) \$'000	Total \$'000
Balance at 1 July 2019	1,901	320	291	2,512
Movements due to change in risk parameters	(522)	(116)	(236)	(874)
New loans originated	539	-	-	539
Transferred to Stage 1	6	(12)	(11)	(17)
Transferred to Stage 2	(2)	26	-	24
Transferred to Stage 3	(31)	-	124	93
Loans repaid	(565)	(22)	(18)	(605)
Loans written off during the year	-	-	(75)	(75)
Balance as at 30 June 2020	1,326	196	75	1,597

	Stage 1 (12 month ECL) \$'000	Stage 2 (Lifetime ECL) \$'000	Stage 3 (Lifetime ECL) \$'000	Total \$'000
Balance at 1 July 2018	1,793	350	218	2,361
New loans originated	479	-	-	479
Transferred to Stage 1	7	(193)	(72)	(258)
Transferred to Stage 2	(3)	283	(18)	262
Transferred to Stage 3	(3)	(108)	268	157
Loans repaid	(372)	(12)	(11)	(395)
Loans written off during the year	-	-	(94)	(94)
Balance as at 30 June 2019	1,901	320	291	2,512

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 22: IMPAIRMENT OF LOANS AND ADVANCES (Continued)

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
(b) Impairment expense				
Movement in provisions for impairment charged to profit & loss	(915)	(915)	151	151
Bad debts written off directly:				
Personal Loans	1,292	1,292	1,502	1,502
Revolving Credit	-	-	107	107
Bad debts recovered	(226)	(226)	(352)	(352)
Total impairment expense	151	151	1,408	1,408

The total of restructured loan balances for the year ending 30 June 2020 is \$71,860 (2019: \$53,469).

A restructured loan is a loan facility where the original contractual terms have been modified on non-commercial terms to provide concessional changes for reasons relating to financial difficulties of the borrower. Where the loan after restructuring remains doubtful and it is not well secured the loan shall be subject to impairment. Loans will only be recognised as restructured once the customer has formally agreed to the new terms.

(c) Impact of coronavirus (COVID-19)

The Bank applies three macro-economic scenarios (a base case, an upside, and a downside) in the ECL modelling for impairment provisioning to reflect an unbiased probability weighted range of future outcomes.

The Bank assigns a probability weighting to each of the three possible future outcomes to capture the uncertainty in credit outlook and changes in uncertainty over time. The Bank has increased the weighting assigned to the downside scenario from 25% to 40% to reflect the possible impact of less favourable macro-economic conditions. The weightings assigned to each scenario are set out below.

Scenario	Probability Weighting	
	2020	2019
Upside scenario	0%	5%
Base case	60%	75%
Downside scenario	40%	20%

The Bank has used judgement to apply overlays in adjusting the modelled ECL results during the year. These overlays are incorporated in the ECL model to cover risks that may not be otherwise captured by the model.

The approximate level of provisions for impairment assuming 100% weighting was applied to the base case scenario and holding all other assumptions constant is \$1,084,000.

The approximate level of provisions for impairment assuming 100% weighting was applied to the downside scenario and holding all other assumptions constant is \$2,366,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 23: FINANCIAL ASSETS - FVTPL

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
TransAction Solutions Limited (TAS)	380	380	371	371
SocietyOne Holdings Pty Ltd	3,416	3,416	3,102	3,102
Shared Service Partners Pty Ltd	82	82	82	82
Cuscal Limited	829	829	861	861
Total financial assets FVTPL	4,707	4,707	4,416	4,416

The following table presents the estimated fair values of the shareholdings held in unlisted companies. The fair value of financial instruments is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these valuations are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

Entity	Number of Shares	Fair Value Price per Share	Fair Value \$'000
TransAction Solutions Limited	55,892	6.79	380
SocietyOne Holdings Pty Ltd	899,209	3.80	3,416
Shared Service Partners Pty	820,000	0.10	82
Cuscal Limited	632,779	1.31	829
			4,707

TransAction Solutions Pty Ltd (TAS)

TAS is an unlisted company that manages network operations, core banking systems and provides data processing support services.

SocietyOne Holdings Pty Ltd

SocietyOne is an online marketplace lender specialising in online personal loans.

Shared Services Partners Pty Ltd

Shared Services Partners is an aggregator of services to the mutual sector.

Cuscal Limited (CUSCAL)

Cuscal is an unlisted company that supplies services to member organisations which are all Credit Unions, Mutual Banks and Banks.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: DERIVATIVE ASSETS/LIABILITIES

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
(a) Derivative assets				
Interest rate swaps - notional amount	-	-	-	-
(b) Derivative liabilities				
	60,000	60,000	103,350	103,350
Maturity Analysis				
Not longer than 12 months	30,000	30,000	43,350	43,350
Longer than 12 months	30,000	30,000	60,000	60,000
	60,000	60,000	103,350	103,350
Interest rate swaps at fair value	809	809	893	893
Maturity Analysis				
Not longer than 12 months	256	256	739	739
Longer than 12 months	553	553	154	154
	809	809	893	893

NOTE 25: PROPERTY, PLANT AND EQUIPMENT

(a) Carrying amount**Leasehold improvements**

At cost	2,463	2,463	2,340	2,340
Less accumulated depreciation	(1,425)	(1,425)	(1,490)	(1,490)
	1,038	1,038	850	850

Plant and equipment

At cost	1,136	1,136	948	948
Less accumulated depreciation	(792)	(792)	(717)	(717)
	344	344	231	231

Total carrying amount

	1,382	1,382	1,081	1,081
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(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Parent and Consolidated		
	Leasehold Improvements 2020 \$'000	Plant and Equipment 2020 \$'000	Total 2020 \$'000
Balance as at 30 June 2019	850	231	1,081
Additions	498	232	730
Disposals	-	(5)	(5)
Depreciation expense	(310)	(114)	(424)
Balance as at 30 June 2020	1,038	344	1,382

	Parent and Consolidated		
	Leasehold Improvements 2019 \$'000	Plant and Equipment 2019 \$'000	Total 2019 \$'000
Balance as at 30 June 2018	1,063	291	1,354
Additions	-	59	59
Disposals	-	(1)	(1)
Depreciation expense	(213)	(118)	(330)
Balance as at 30 June 2019	850	231	1,081

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: RIGHT-OF-USE ASSETS

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
(a) Right-of-use assets				
At cost	6,630	6,630	-	-
Less accumulated depreciation	(4,139)	(4,139)	-	-
Net Right-of-use assets	2,491	2,491	-	-

(b) Movements in carrying amounts of right-of-use assets

The movements in the carrying amounts of each class of right-of-use asset between the beginning and end of the current financial year are set out below.

	Parent and Consolidated		
	Office buildings	Plant & equipment	Total
	2020 \$'000	2020 \$'000	2020 \$'000
Cost			
Balance as at 30 June 2019	-	-	-
Effect of adoption of AASB 16 as at 1 July 2019	6,129	586	6,715
Additions	273	-	273
Disposals	(358)	-	(358)
Balance as at 30 June 2020	6,044	586	6,630
Accumulated depreciation			
Balance as at 30 June 2019	-	-	-
Effect of adoption of AASB 16 as at 1 July 2019	3,025	606	3,631
Depreciation charge for the year	770	96	866
Disposals	(358)	-	(358)
Balance as at 30 June 2020	3,437	702	4,139

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: INTANGIBLE ASSETS

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
(a) Intangible assets				
At cost	5,478	5,478	4,908	4,908
Less accumulated amortisation	(4,422)	(4,422)	(4,105)	(4,105)
Net Intangible Assets	1,056	1,056	803	803

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of intangible assets between the beginning and end of the financial year are set out below.

	Parent and Consolidated	
	IT Development and Software	
	2020 \$'000	2019 \$'000
Balance as at 30 June 2019	803	998
Additions		
Internally generated	61	17
Separately acquired	538	350
Disposals	-	(41)
Amortisation expense	(346)	(521)
Balance as at 30 June 2020	1,056	803

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: DEFERRED TAX ASSETS	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
The balance comprises temporary difference attributable to:				
Amounts recognised in profit or loss				
Plant and equipment	(7)	(7)	(33)	(33)
Right-of-use assets	(647)	(647)	-	-
Provision for impairment	415	415	754	754
Employee leave benefits	634	634	750	750
Accrued expenses	28	28	112	112
Lease incentive liability	(154)	(154)	262	262
Fair value adjustment of investment	(298)	(298)	(257)	(257)
Provision for make good and other	15	15	49	49
Lease liability	1,072	1,072	-	-
Net deferred tax assets	1,058	1,058	1,637	1,637
Movements:				
Balance as at the beginning of the year	1,637	1,637	1,486	1,486
Credited/(charged) directly to retained earnings on adoption of AASB 9: Financial Instruments	-	-	350	350
Credited/(charged) directly to retained earnings on adoption of AASB 16: Leases	107	107	-	-
Credited / (charged) to the statement of comprehensive income	(686)	(686)	(199)	(199)
Balance as at the end of the year	1,058	1,058	1,637	1,637
Net deferred tax assets to be recovered after more than 12 months	339	339	855	855
Net deferred tax assets to be recovered within 12 months	719	719	782	782
Net deferred tax assets	1,058	1,058	1,637	1,637
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Total losses on capital account	691	691	797	797

The deferred tax asset related to capital losses will only be obtained if:

- the Bank derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the capital losses to be utilised.
- the Bank continues to comply with the conditions of deductibility imposed by tax legislation.
- no changes in tax legislation adversely affect the Bank in realising the benefits from the deductions for the losses.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable capital gains will be available against which they can be realised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: DEPOSITS	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Member shares	33	33	35	35
Call deposits	502,268	502,268	410,766	410,766
Term deposits	458,536	458,536	481,713	481,713
Certificates of deposit	163,899	163,899	129,991	129,991
Fair value of deposits in hedging relationship	-	-	32	32
Total deposits	1,124,736	1,124,736	1,022,537	1,022,537
(a) Maturity Analysis				
Not longer than 12 months	1,086,523	1,086,523	929,717	929,717
Longer than 12 months	38,213	38,213	92,820	92,820
Total deposits	1,124,736	1,124,736	1,022,537	1,022,537
NOTE 30: OTHER LIABILITIES				
Accrued interest payable	2,695	2,695	5,033	5,033
Sundry creditors and accrued expenses	746	743	998	997
Lease liability	4,124	4,124	-	-
Lease incentive liability	-	-	1,702	1,702
Clearing accounts	3,608	3,608	9,199	9,200
Total other liabilities	11,173	11,170	16,932	16,932
(a) Maturity Analysis				
Not longer than 12 months	8,146	8,143	14,725	14,725
Longer than 12 months	3,027	3,027	2,207	2,207
Total other liabilities	11,173	11,170	16,932	16,932

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 31: OTHER FINANCIAL LIABILITIES	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Repurchase borrowings	-	-	39,991	39,991
Term funding facility with Reserve Bank of Australia (RBA)	38,544	38,544	-	-
Loans assigned to securitisation trust	-	308,587	-	125,626
Total other financial liabilities	38,544	347,131	39,991	165,617
(a) Maturity Analysis				
Not longer than 12 months	38,544	38,544	39,991	39,991
Longer than 12 months	-	308,587	-	125,626
Total other financial liabilities	38,544	347,131	39,991	165,617

NOTE 32: PROVISIONS

Current				
Annual leave	585	585	516	516
Long service leave	574	574	414	414
Other employment benefits	1,292	1,292	1,625	1,625
Make good	48	48	23	23
	2,499	2,499	2,578	2,578
Non-current				
Long service leave	94	94	167	167
Make good	-	-	45	45
	94	94	212	212
Total provisions	2,593	2,593	2,790	2,790

Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Parent and Consolidated			
	Annual leave	Long service leave	Make good provision	Other employment benefits
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2019	516	581	68	1,625
Arising during the year	87	90	-	469
Utilised	(18)	(3)	(20)	(802)
Balance as at 30 June 2020	585	668	48	1,292

	Parent and Consolidated			
	Annual leave	Long service leave	Make good provision	Other employment benefits
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2018	531	668	64	1,596
Arising during the year	559	39	4	392
Utilised	(574)	(126)	-	(363)
Balance as at 30 June 2019	516	581	68	1,625

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 33: REDEEMABLE SHARE RESERVE	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$'000	\$'000	\$'000	\$'000
Total redeemable share reserve	2,262	2,262	2,262	2,262

Share redemption

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.

NOTE 34: ASSET REVALUATION RESERVE

Balance as at the beginning of the year	-	-	158	158
Transfer to retained earnings on 1st July 2018 as a result of adoption AASB 9	-	-	(158)	(158)
Balance at the end of the year	-	-	-	-

The asset revaluation reserve is used to record the unrealised increments and decrements on the revaluation of available-for-sale financial assets.

NOTE 35: RETAINED EARNINGS

Balance as at the beginning of the year	90,856	90,856	84,978	84,978
Impact of adopting AASB 9 - increase in impairment allowance recognised directly in retained earnings as of 1 July 2018	-	-	(816)	(816)
Impact of adopting AASB 16 Leases on retained earnings as of 1 July 2019	(172)	(172)	-	-
Balance as at 1 July	90,684	90,684	84,162	84,162
Net profit after tax	6,220	6,220	6,536	6,536
Transfer from asset revaluation reserve	-	-	158	158
Balance at the end of the year	96,904	96,904	90,856	90,856

NOTE 36: CONTRIBUTED EQUITY

Total contributed equity	17,362	17,362	17,362	17,362
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Quay Credit Union Limited transferred all of its business to the Bank on 1 September 2016. The contributed equity on transfer was \$17,362,000.

NOTE 37: REMUNERATION OF AUDITORS

	Consolidated	Parent	Consolidated	Parent
	2020	2020	2019	2019
	\$	\$	\$	\$
Fees to Ernst & Young (Australia)				
Fees for auditing the statutory financial report of the Bank and auditing of financial reports of controlled entities	279,360	270,780	254,490	246,990
Fees for taxation services	31,075	26,565	29,975	25,465
Fees for consulting services	106,700	106,700	-	-
Total remuneration of auditors	417,135	404,045	284,465	272,455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 38: STATEMENT OF CASH FLOWS

(a) Reconciliations of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to related items in the statement of financial position as follows:

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Cash and deposits at call	20,786	20,786	8,293	8,293
Total cash and cash equivalents	20,786	20,786	8,293	8,293

(b) Cash flows presented on a net basis

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

- member deposits in and withdrawals from savings and other deposit accounts;
- sales and purchases of amounts due from other financial institutions and debt securities with authorised deposit-taking institutions;
- provision of member loans and the repayment of such loans.
- amounts received and repaid for repurchase borrowings and term funding facility.

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

Profit after income tax	6,220	6,220	6,536	6,536
Non-cash flows in profit after income tax:				
Net gain/(loss) on sale of property, plant and equipment	6	6	2	2
Net gain/(loss) on fair value of financial assets at FVTPL	(291)	(291)	(573)	(573)
Depreciation of plant and equipment	424	424	332	332
Amortisation of intangibles	346	346	519	519
Depreciation of right-of-use assets	866	866	-	-
Provision for loan impairment movement	377	377	1,760	1,760
Change in operating assets and liabilities:				
(Increase)/decrease in due from other financial institutions	34,278	48,753	(114,351)	(109,297)
(Increase)/decrease in debt securities with authorised deposit-taking institutions	(70,700)	(70,700)	49,098	49,098
(Increase)/decrease in loans and advances	(48,913)	(48,913)	(26,033)	(26,033)
(Increase)/decrease in current tax assets	(833)	(833)	-	-
(Increase)/decrease in deferred tax asset	579	579	198	-
(Increase)/decrease in other assets	657	2,827	(2,048)	(8,281)
Increase/(decrease) in deposits	102,199	102,199	64,832	64,832
Increase/(decrease) in provisions	(197)	(197)	(73)	(73)
Increase/(decrease) in other financial liabilities	(1,447)	(1,447)	(1)	(1)
Increase/(decrease) in current tax liability	(376)	(376)	(202)	(202)
Increase/(decrease) in other liabilities	(9,385)	(9,389)	2,128	2,044
Net cash inflow/(outflow) from operating activities	13,810	30,451	(17,876)	(19,337)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 39: FAIR VALUE DISCLOSURE

(a) Valuation

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

• **Level 1 financial instruments** – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.

• **Level 2 financial instruments** – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

• **Level 3 financial instruments** – Those that include one or more unobservable input that is significant to the measurement as whole.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations.

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

(i) 'Cash and cash equivalents' and 'Due from other financial institutions'

The carrying values of 'Cash and cash equivalents' approximate their net fair value as they are short term in nature or are receivable on demand. The fair value of 'Due from other financial institutions' that are not traded in an active market is determined using discount cash flow analysis with terms to maturity that match, as closely as possible, to the estimated future cash flows.

(ii) Loans and advances

The carrying value of member loans is net of unearned income and both individual and collective provisions for impairment. For variable loans (excluding impaired loans), the amount shown in the statement of financial position is considered to be a reasonable estimate of net fair value. The net fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

(iii) Equity Investments

The equity investments include in shareholdings in SocietyOne Holdings Pty Limited, Shared Services Partners Pty Limited, Cuscal Limited and TransAction Solutions Limited (TAS). These equity investments do not have a quoted market price as at 30 June 2020 and are not actively traded. The Bank has estimated the fair value of the equity investments based on a combination of the most recent market transactions, the net asset value per share and the net tangible asset value per share of the respective entity.

(iv) Deposits

The carrying amount approximates fair value for call account balances as they are at call. The fair value of term deposits are estimated using discounted cash flow analysis based on current market rates for equivalent term deposits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 39: FAIR VALUE DISCLOSURE (Continued)

(b) Fair value hierarchy for financial assets and liabilities measured at fair value

	Consolidated and Parent				
	Carrying value	Fair value as at 30 June 2020			
	2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Financial Assets - FVTPL	4,707	-	-	4,707	4,707
Total Financial Assets	4,707	-	-	4,707	4,707
Financial Liabilities					
Derivative Liabilities	809	-	809	-	809
Total Financial Liabilities	809	-	809	-	809
	Consolidated and Parent				
	Carrying value	Fair value as at 30 June 2019			
	2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Financial Assets - FVTPL	4,416	-	-	4,416	4,416
Total Financial Assets	4,416	-	-	4,416	4,416
Financial Liabilities					
Derivative Liabilities	893	-	893	-	893
Total Financial Liabilities	893	-	893	-	893

(c) Analysis of movements between fair value hierarchy levels

The table below summarise movements in Level 3 balance during the year.

	Consolidated and Parent
	\$'000
Balance as at 30 June 2018	3,430
Purchases	413
Gains/(losses) in the period: Recognised in the statement of comprehensive income	573
Balance as at 30 June 2019	4,416
Balance as at 30 June 2019	4,416
Gains/(losses) in the period: Recognised in the statement of comprehensive income	291
Balance as at 30 June 2020	4,707

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 39: FAIR VALUE DISCLOSURE (Continued)

(d) Fair value hierarchy for financial assets and liabilities not measured at fair value

	Consolidated				
	Carrying value	Fair value as at 30 June 2020			
	2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Due from other financial institutions	127,129	-	120,250	-	120,250
Debt Instruments at amortised cost	346,139	-	346,139	-	346,139
Other assets	7,655	-	7,658	-	7,658
Loans and advances	781,147	-	-	781,141	781,141
Total Financial Assets	1,262,070	-	474,047	781,141	1,255,188
Financial Liabilities					
Deposits	1,124,736	-	1,124,736	-	1,124,736
Other liabilities	11,173	-	7,553	-	7,553
Other financial liabilities	38,544	-	38,544	-	38,544
Total Financial Liabilities	1,174,453	-	1,170,833	-	1,170,833
	Consolidated				
	Carrying value	Fair value as at 30 June 2019			
	2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Due from other financial institutions	161,407	-	161,510	-	161,510
Debt Instruments at amortised cost	275,439	-	275,369	-	275,369
Other assets	8,312	-	3,936	-	3,936
Loans and advances	732,611	-	-	732,195	732,195
Total Financial Assets	1,177,769	-	440,815	732,195	1,173,010
Financial Liabilities					
Deposits	1,022,537	-	1,025,171	-	1,025,171
Other liabilities	16,932	-	16,930	-	16,930
Other financial liabilities	39,991	-	39,991	-	39,991
Total Financial Liabilities	1,079,460	-	1,082,092	-	1,082,092

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 39: FAIR VALUE DISCLOSURE (Continued)

(d) Fair value hierarchy for financial assets and liabilities not measured at fair value (continued)

	Parent				
	Carrying value	Fair value as at 30 June 2020			
	2020 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Due from other financial institutions	102,144	-	104,355	-	104,355
Debt instruments at amortised cost	670,021	-	670,022	-	670,022
Other assets	17,342	-	16,988	-	16,988
Loans and advances	781,147	-	-	781,141	781,141
Total Financial Assets	1,570,654	-	791,365	781,141	1,572,506
Financial Liabilities					
Deposits	1,124,736	-	1,124,736	-	1,124,736
Other liabilities	11,170	-	7,547	-	7,547
Other financial liabilities	347,131	-	351,086	-	351,086
Total Financial Liabilities	1,483,037	-	1,483,369	-	1,483,369

	Parent				
	Carrying value	Fair value as at 30 June 2019			
	2019 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial Assets					
Due from other financial institutions	150,897	-	155,376	-	155,376
Debt Instruments at amortised cost	399,719	-	399,719	-	399,719
Other assets	20,168	-	20,169	-	20,169
Loans and advances	732,611	-	-	732,611	732,611
Total Financial Assets	1,303,395	-	575,264	732,611	1,307,875
Financial Liabilities					
Deposits	1,022,537	-	1,025,171	-	1,025,171
Other liabilities	16,932	-	16,930	-	16,930
Other financial liabilities	165,617	-	165,617	-	165,617
Total Financial Liabilities	1,205,086	-	1,207,718	-	1,207,718

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 40 COMMITMENTS

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

(a) Future capital commitments

The Bank has not entered into contracts for the purchase of property, plant and equipment which have not been recognised as a liability.

(b) Undrawn Loan Commitments

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Loans approved but not funded	18,203	18,203	9,253	9,253
Undrawn lines of credit	27,687	27,687	25,137	25,137
Loan redraw facilities	24,780	24,780	25,692	25,692

Undrawn Loan Commitments

	Consolidated 2020 \$'000	Parent 2020 \$'000	Consolidated 2019 \$'000	Parent 2019 \$'000
Undrawn Loan Commitments	70,670	70,670	60,082	60,082

Commitments to extend credit represent contractual commitments to make loans and provide revolving credit facilities. 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 Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

NOTE 41: CONTINGENT LIABILITIES

(a) Liquidity Support Scheme

The Bank is a member of Credit Union Financial Support Scheme Limited (CUFSS) a company established to provide financial support to member Mutual Banks in the event of a liquidity problem.

The Bank's minimum obligation requirement, in times of need, is 3.0% (2019: 3.0%) of the total 'on statement of financial position' assets as set out in the most recent quarterly report provided to APRA. If called, the minimum deposit must be held in a form acceptable to CUFSS and be free of any encumbrances. No claims have been made during the financial year.

(b) Guarantees

The Bank has issued guarantees on behalf of members and suppliers for the purpose of lease and trade credit facilities. The amounts of the guarantees in total are \$1,276,356 (2019: \$919,643). The guarantee is payable only on the member or supplier defaulting on the contractual repayments to the lessor / supplier.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 42: INVESTMENTS IN SUBSIDIARIES AND OTHER ENTITIES

(a) Subsidiaries

Name of Entity	Place of Incorporation	Ownership interest	Principal activities
SGE Funding Trust No. 1 Repo Series No. 1	Australia	100%	Securitisation

The Bank holds all the participation units issued by the trust.

There were no restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group.

(b) Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Bank's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may have exposure to such an entity but not consolidate it.

Consolidated structured entities

The Bank has the following contractual arrangements which require it to provide financial support to its structured entities.

Securitisation structured entities

The Bank provides liquidity facilities to SGE Funding Trust No. 1 Repo Series No. 1. These facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 43: RELATED PARTIES DISCLOSURES

(a) Directors

The names of the Directors of G&C Mutual Bank who have held office during the financial year are:

J F Kennelly - Chair
 A P Hutchison - Vice Chair
 T J Donegan - Director (resigned 30 November 2019)
 K V Hawkins - Director
 D A Taylor - Director
 G N Hammond - Director
 P W Clarke - Director
 S J Helmich - Director

(b) 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 Bank, directly or indirectly, including any Director of the Bank. Key management personnel has been taken to comprise the Directors and members of Executive Management who were responsible during the financial year for the day to day financial management and operational management of the Bank.

The aggregate compensation of key management personnel during the year comprising amounts paid or payable was as follows:

	2020	2019
	\$	\$
• Short-term employee benefits	3,267,357	3,030,750
• Retirement benefits	140,900	-
• Termination benefits	-	401,115
• Other long-term benefits	97,783	51,240
Total remuneration of key management personnel	3,506,040	3,483,105

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

(c) Loans to Key Management Personnel

All loans disbursed to key management personnel and close family members of key management personnel (as defined by AASB124 Related Party Disclosures) were approved on the same terms and conditions, that 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 or close family members.

Key management personnel who are not Directors may be entitled to receive a concessional rate of interest on a portion of their loans and facilities. The concessional rate for these loans is 2.5% below the standard variable rate and they are secured by first mortgages over the individuals' residences. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management personnel. There are no loans that are impaired in relation to the loan balances with close family members of Directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

NOTE 43: RELATED PARTIES DISCLOSURES (Continued)

(c) Loans to Key Management Personnel (continued)

	2020	2019
	\$	\$
(i) The aggregate value of loans to key management personnel and close family members as at balance date amounted to	9,567,336	10,080,478
(ii) The total value of revolving credit facilities to key management personnel and close family members	366,000	333,500
(iii) Less amounts drawn down and included in total loans above	(71,631)	(79,330)
Funds available to be drawn	294,369	254,170
Interest and other revenue earned on loans and revolving credit facilities to key management personnel and close family members	267,142	247,172

(d) Deposits from Key Management Personnel

Total value of term and savings deposits from key management personnel and close family members at balance date	4,485,633	3,135,665
Total interest paid on deposits to key management personnel and close family members	40,192	10,405

Key management personnel and close family members have received interest on deposits with the Bank 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 Bank.

NOTE 44: EVENTS AFTER BALANCE SHEET DATE

There has been no other matter or significant event that has arisen after balance date which may affect the Bank's operations, the results of those operations or the Bank's state of affairs.

Corporate Directory

Service Centres

Sydney

Level 25, 201 Elizabeth Street, Sydney

Bathurst

203 - 209 Russell Street, Bathurst (via Reliance Bank)

Lismore

60 Molesworth Street, Lismore

Malabar

Detention Centre Anzac Parade, Malabar

Melbourne

Level 1, 128 Exhibition Street, Melbourne

Newcastle

328 King Street, Newcastle

Parramatta

Suite 5.03, Level 5, 80 George Street, Parramatta

Wagga Wagga

125 Bayliss Street, Wagga Wagga

Auditors

Ernst & Young

200 George Street
Sydney NSW 2000

Solicitors

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Registered Office

Level 25, 201 Elizabeth Street
Sydney NSW 2000

It's **your** bank,
because **you own it.**

G&C Mutual Bank

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www.gcmutual.bank

G&C Mutual Bank Limited

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