The bank that finances positive impact for people and the planet is the bank Australia needs.

2019
Financial
Report

Bank Australia
RESPONSIBLE BANKING

Our Purpose

Bank Australia exists to create mutual prosperity in the form of positive economic, social, environmental and cultural impact.

Contents

Acknowledgment of Country

Bank Australia acknowledges the Traditional Custodians of the land on which we live and work in Australia. We pay our respects to Elders past, present and emerging, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

About Bank Australia and this report.

Bank Australia started in 1957 as the CSIRO Cooperative Credit Society and has grown and evolved, adding 72 credit unions and cooperatives to become Australia's first customer owned bank.

As a customer-owned bank, we are committed to taking action on the issues that matter most to our customers. That's why we provide customers with competitive rates and fees and our investments are used to create positive social and environmental change.

This report highlights our financial performance for the year ending 30 June 2019. We produce this report in part to meet our obligations under the Corporations Act 2001. This report also shows how we used the tools of banking to create a positive impact for people and planet, while delivering for our customers. This is responsible banking in action.

1. Customers deposit funds

Our customers deposit money into transaction and savings accounts, and term deposits.

See Financial Liabilities on page 25

4. Risk management

We manage risk and capital responsibly to continue operations as an authorised deposit-taking institution and successfully achieve our purpose.

See Capital and Risk Management on page 46

2. Where we lend

We lend that money to others for purposes outlined in our Responsible Banking Policy; some is lent to projects that benefit people, planet and prosperity.

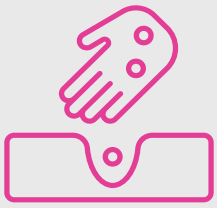
See Financial Assets on page 28

3. Members benefits

We manage these funds to generate profits for the benefit of our customers and communities and to ensure competitive rates and lower fees.

See Financial Performance on page 39

Key highlights.



Total deposits

$5.3billion

(FY18: $4.6b)

Total assets

$6.3billion

(FY18: $5.7b)

Customers total loans

$5.2billion

(FY18: $4.7b)

Loans funded

$1.5billion

(FY18: $1.2b)

Profit after tax

$22.8million

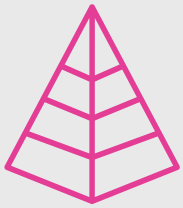
(FY18: $26.1m)

Purpose lead metrics.

Assets generated to benefit people, planet and prosperity

$610.7million

(FY18: $457m)



Impaired loan ratio[1]

0.03%

(FY18: 0.02%)

1 The impaired loan ratio represents impaired loans and advances as a proportion of gross loans and advances

Financial ratios.

Net interest margin

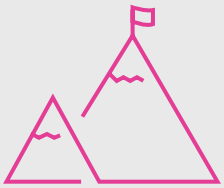
1.79%

(FY18: 1.87%)

Cost to income ratio

73.48%

(FY18: 69.58%)



Return on assets

0.38%

(FY18: 0.48%)

Return on equity

4.37%

(FY18: 5.25%)

Total liquidity

14.84%

(FY18: 13.70%)

Capital adequacy

16.39%

(FY18: 16.64%)

Directors' report.

The following section of the report includes the Directors' Report together with the financial report of Bank Australia Limited and the consolidated financial report of the consolidated entity, being the Company and its Controlled Entities, for the year ended 30 June 2019.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name & qualifications

J S Downes

BA (Hons), DipEd, GradDipBus (Acct), FAICD, FCPA, FCA

Independent: Yes

Term of office: Director since March 2012. Appointed Chair 28 March 2014.

Skills & Experience:

Judith is a non-executive director with extensive experience in finance, banking and accounting. She has over 25 years experience as a Company Director.

Judith has worked in senior executive and non-executive roles in banking, funds management, life insurance, mining and property. She held senior roles in ANZ for 12 years, including Chief Financial Officer and Chief Operating Officer Institutional Division and Group General Manager Finance.

Prior to working as an accountant, Judith taught secondary mathematics.

Judith has been a member of both international and Australian bodies that are involved with the development of accounting standards. Other past positions include Director, ING Australia and Director, Australian Mathematical Science Institute.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Non-executive Director, Clean TeQ Holdings Limited (since October 2018)
- Chair, Global Alliance for Banking on Values Governing Board Forum (since March 2017)
- Non-executive Director, ImpediMed Limited (since April 2017)
- Non-executive Director, The Spinal Research Institute (since April 2016)
- Honorary Fellow, Department of Accounting, Faculty of Business and Economics, University of Melbourne (since 2011)
- Member, Financial Reporting Council (April 2016 to April 2019)
- Member, AICD Reporting Committee (April 2010 to April 2019)
- Member, Finance and Risk Committees, University of Melbourne (since December 2012 and May 2013 to July 2017)

Board Committee membership:

Member of the Nominations Committee
Ex officio member of the Audit, Governance and Risk Committees

M J Bastian

LB(Hons), GDLP, BBus(Mgt), RN, FAICD, A Fin

Independent: Yes

Term of office: Director since November 2012.

Skills & Experience:

Melissa has a diverse background and experience in a variety of industries including banking, law, health, local and federal government, education, insurance and leadership development. She has advanced leadership and communication skills and extensive management, business planning, compliance, strategy development, financial management and corporate governance experience.

She is currently the Managing Director of Just Better Care Gippsland.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Member, Gippsland Regional Committee of the Australian Institute of Company Directors (since May 2013)
- Non-executive Director, Latrobe Community Health Services (January 2011 to July 2017)
- Non-executive Director, Victorian Healthcare Association (October 2016 to July 2017)

Board Committee membership:

Member of the Risk and Audit Committees

G J Camm

MBA, BBus, CPA, SF Fin, MAICD

Independent: Yes

Term of office: Director since February 2012.

Skills & Experience:

Greg has extensive experience in finance, working in credit unions, mortgage insurance, securitisation, retail banking and superannuation. He joined the ANZ Banking Group in 1989 where he worked for 16 years, including roles as Managing Director, Mortgages; Managing Director, ANZ Bank (New Zealand); and Managing Director, Australian Retail Banking. He later worked in New Zealand as Managing Director of AMP Financial Services (New Zealand) and in Australia as CEO of Superpartners Ltd.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Chairman, AMIST Super Fund (since March 2018)
- Member, AusNet Customer Services Forum (since February 2018)
- Trustee of the Australian Cancer Research Foundation (since December 2000)
- Non-Executive Director, SEDA Group Pty Ltd (February 2018 to September 2018)
- Non-executive Director, Yarra Valley Water (October 2013 to September 2017)
- Chairman, Praemium Ltd (September 2016 to May 2017).
- Non-executive Director, Bottlecycler Pty Ltd (August 2012 to March 2017)
- Member, Business Advisory Council of Greenfleet Australia (March 2012 to December 2015)

Board Committee membership:

Chair of the Risk Committee
Member of the Governance Committee

A M Corboy

BA, DipEd, BEd, Diploma of Superannuation Management (part) GAICD

Independent: Yes

Term of office: Director since November 2015.

Skills & Experience:

Anne-Marie has extensive experience in strategic planning, corporate governance, financial management, stakeholder management and the ability to manage growth in a competitive environment. She has over 30 years' experience as a Company Director for a range of organisations including the Peter MacCallum Cancer Centre, Victorian Superannuation Board and Australian Council for Superannuation Investors and was a trustee on the MCG Trust.

Anne-Marie was CEO of HESTA, the industry superannuation fund for health and community services, and Company Secretary to its trustee company HEST Australia Ltd from May 1998 to February 2015. Prior to this role she was Victorian Branch Secretary of the Australian Education Union and a primary teacher.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Chair, Telstra Super (since July 2019)
- Chair, Telstra Super Financial Planning (since July 2019)
- Member, Ovarian Cancer Research Foundation Committee of Management (since April 2019)
- Member, Australian Commonwealth Games Foundation Investment Committee (since February 2019)
- Non-executive Director, MDC Foundation Ltd (February2015 to December 2018)
- Non-executive Director, Utilities of Australia Pty Ltd (March 2015 to December 2018
- Non-executive Director, TTNL Ltd (December 2015 to January 2018)
- Non-executive Director, Australian Commonwealth Games Foundation (February 2015 to June 2017)
- Non-executive Director and Chair, Netball Australia Ltd (February 2014 to April 2017)

Board Committee membership:

Chair of the Governance Committee
Member of the Risk Committee

H L Gluer

BComm, MBA,
FCPA, FAICD

Independent: Yes

Term of office: Director since 5 February 2018

Skills and Experience:

Helen has a diverse professional background, having commenced her career with Commonwealth Bank and then moving into Corporate Recovery roles with Queensland Industry Development Corporation and Suncorp-Metway. Helen then took up finance roles with Brisbane City Council and Chief Executive roles with Tarong Energy Corporation and Stanwell Corporation, Under Treasurer for Queensland Treasury and Trade and Chief Executive Officer for Queensland Rail. Helen is presently an Adjunct Professor at Queensland University of Technology.

Helen also has over 15 years' experience as a Non-executive Director including Gladstone Ports Corporation (Chair, Central Queensland Ports Authority), City Super, Queensland Resources Council and Translink Transit Authority (Chair of Audit Committee).

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- No other directorships and offices

Board Committee memberships:

Member of the Audit and Governance Committees

M A Somerville

BBus(Acc), MAppFin,
GAICD, FCA

Independent: Yes

Term of office: Director since December 2014.

Skills & Experience:

Michelle spent nearly 14 years working as an assurance partner with KPMG, where she was responsible for the external audits of many companies across various sectors (including financial services, not-for-profit, manufacturing and energy in both Australia and the United States).

She also helped clients implement complex new legislation in their businesses.

Michelle brings deep finance, risk and governance experience to the Board, having worked with listed and non-listed clients in Australia and overseas.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Non-executive Director and Chair of the Audit Committee, The GPT Group (since 2015).
- Non-executive Director and Chair of the Audit Committee, Challenger Retirement and Investment Services (since 2014)
- Non-executive Director and Chair of the Finance Committee, Down Syndrome Australia (since 2011)
- Non-executive Director and Chair of the Board Audit Committee, Save the Children (since 2012)

Board Committee membership:

Chair of the Audit Committee
Member of the Governance Committee

D K Wakeley

BEc, FCA, FAICD

Independent: Yes

Term of office: Appointed Director 1 January 2017.

Skills & Experience:

David has a diverse background and over 30 years experience in a variety of industries including professional accounting, pharmaceuticals, motoring services, education and financial services. Until 31 March 2017, David was CEO of Autopia Management Pty Ltd and prior to this David was CEO of AIM NSW & ACT Pty Ltd and Virgin Money Australia Pty Limited.

David is currently engaged in a portfolio of activities including coaching, mentoring, as an advisor to a number of private companies in the technology space, a Finance Committee member of the Women's College (within the University of Sydney) and a Board member of Robert Menzies College at Macquarie University.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Non-executive Director, ParaFlare Holdings Pty Ltd (and group companies) (since April 2019)
- Non-executive Director, UrbanSurf Pty Ltd (and group companies) (since January 2019)
- Non-executive Director, Robert Menzies College at Macquarie University (since April 2018)
- Non-executive Director, Adviser Ratings Pty Ltd (January 2017 to July 2019)
- Non-executive Director, The Women's College (within the University of Sydney) (March 2016 to December 2018)
- Non-executive Director, Intech Credit Union (February 2013 to November 2018).
- Executive Director, Autopia Management Pty Ltd (appointed Chair in June 2013 to July 2016)
- Executive Director, Autopia Group Pty Ltd (appointed Chair in June 2013 to July 2016)

Board Committee membership:

Member of the Audit and Risk Committees

D G Walsh

BBus (Acct), MBA, FAICD, FFIN, FCA, FCPA

Independent: No

Term of office: Appointed CEO on 1 September 2011 and Managing Director on 22 September 2011.

Skills & Experience:

Damien became Managing Director on 22 September 2011, after serving as General Manager of Corporate Services for eight years and also as Company Secretary. Damien has over 30 years of experience in the mutual banking sector.

Damien is responsible for and manages the bank's group operations. He works with the Board in setting group strategy, monitoring group performance and budget, and ensuring the bank adheres to all prudential, legal and compliance matters.

Directorships of listed entities within the last three years, other directorships and offices (current & recent):

- Steering Committee Member, Australian Sustainable Finance Initiative (since March 2019)
- Council Member, Australian Banking Association (since December 2015)
- Non-executive Director, Business Council of Cooperatives & Mutuals (since August 2013)
- Alternate Director, Data Action Ltd (since August 2013)
- Non-executive Director, CUFSS Limited (March 2004 to September 2016)

Board Committee membership:

Nil

2. Nominations Committee

The function of the nominations committee is to provide the Board with its determinations on the fitness and propriety of potential candidates for the office of Director of the Company in accordance with the Fit and Proper Policy and Constitution. The Committee is comprised of three members with a requirement that the majority of members must be independent of the Company and the Board of Directors. The nominations committee met once during the year ending 30 June 2019 and each of the 3 members were in attendance.

C D Lewis, Chair and Independent Member

Christopher has been a member of the Nominations Committee and Chair since 2014. Christopher was a partner in PwC's Financial Services Practice until June 2016, specialising as an auditor and risk management advisor in the financial services sector. His experience includes time in Australia, China, the USA and UK, including direct management experience as the Chief Risk Officer for the National Australia Bank Group.

Christopher has worked across a broad spectrum of financial services activities including: relationship responsibilities and assurance roles at Bendigo and Adelaide Bank and ME Bank; advisory and assurance roles at ANZ. He has extensive mergers and acquisitions and liquidity consulting experience on retail and commercial banks and insurance companies and currently provides risk and governance advisory services to a range of companies.

M A Bengtsson, Independent Member

Mark has been a member of the Nominations Committee since 2010 and has provided valuable input into the Committee's workings, leveraging his extensive experience advising APRA regulated organisations on corporate governance. Mark is an experienced non-executive director and a senior lawyer, currently Managing Director at Daniels Bengtsson Pty Limited.

J S Downes, Chair of Board

Judith has been on the Board of Bank Australia since March 2012 (Chair since March 2014) and a member of the Nominations Committee since 2014.

3. Company Secretary

L B O'Brien

BComm, MAppFin, CA, MAICD

Louise was appointed joint company secretary in August 2016.

J R McKenzie

MBA

Jennifer was appointed joint company secretary in August 2017. She has over 30 years experience in a variety of banking roles across multiple geographies.

4. Key Management Personnel

D G Walsh, Managing Director

BBus (Acct), FCPA, MBA, FAICD, FFIN, FCA

Damien was appointed Managing Director of Bank Australia on 22 September 2011. Damien has over 25 years experience in the customer owned banking sector.

Damien has senior executive responsibility for the leadership and management of all of the business activities and operations of Bank Australia within the authorities delegated to the Managing Director by the Board.

Damien has an MBA and is a fellow of the following organisations; CPA Australia, Australian Institute of Company Directors, Financial Services Institute of Australasia and Chartered Accountants Australia and New Zealand.

P R Ashkettle, Chief Risk Officer

BCA MBA

Patrick was appointed Chief Risk Officer in March 2014.

He previously spent 23 years working across superannuation, institutional and retail banking.

Patrick has senior executive responsibility for the management of the Bank Australia Risk function subject to the directions of the Bank Australia Board and Managing Director.

Patrick has an MBA and has studied at the London Business School. He is also a member of the Risk Management Institute of Australasia.

S Clancy, Chief People Officer
BA, FAICD, FAIM, FAHRI

Sonya was appointed Chief People Officer in July 2018. Sonya is an experienced senior leader having previously held executive roles in human resource, marketing and communication.

Sonya has senior executive responsibility for the management of Bank Australia's People and Culture Division, subject to the directions of the Bank Australia Board and the Managing Director.

Sonya is a Fellow of the Australian Institute of Company Directors and a Fellow of Australian HR Institute. Sonya holds the positions of Chair of the board for both The Big Issue and Homes for Homes.

R B Dowland, Chief Strategy Officer
GAICD

Rowan was appointed Chief Strategy Officer in August 2017. He has over 24 years of experience in the customer owned banking sector.

Rowan has senior executive responsibility for the management of Bank Australia's Strategy and Communications Division consisting of Strategy Development and Execution, Marketing, Corporate Affairs and Project Management, subject to the directions of the Bank Australia Board and the Managing Director.

Rowan is a member of the Australian Banking Association's Industry Strategy Working Group, a graduate of the Australian Institute of Company Directors and holds a Graduate Certificate in Sustainable Development. Rowan is a Director of Marriot Support Services and is also an alternate Director of the Business Council of Cooperatives and Mutuals.

Chief Operating Officer
This position was vacant as at 30 June 2019. An acting appointment was made on the 5 July 2019.

The Chief Operating Officer has senior executive responsibility for the Operations and Technology Division of Bank Australia, subject to the directions of the Bank Australia Board and the Managing Director.

L B O'Brien, Chief Financial Officer
BComm, MAppFin, CA, MAICD

Louise was appointed Chief Financial Officer in August 2016. Louise has over 25 years of experience in banking and finance in both Australia and the UK.

Louise has senior executive accountability for leading and overseeing the management of Bank Australia's Finance function subject to the directions of the Bank Australia Board and the Managing Director.

Louise has a Masters of Applied Finance and is a member of Chartered Accountants Australia and New Zealand and the Australian Institute of Company Directors. She was appointed a Director of Data Action Pty Ltd in June 2018.

J P Yardley, Deputy Chief Executive Officer
MBA, GAICD

John was appointed Deputy Chief Executive Officer in March 2016. John is an experienced executive who has held senior roles in banking, politics and management consulting.

John has senior executive responsibility for the development of Bank Australia's strategic objectives and business plan and managing the Retail Banking Division of Bank Australia.

John has an MBA and is a graduate of the Australian Institute of Company Directors.

5. Directors' Meetings

Director	Board Meetings		Audit Committee Meetings		Risk Committee Meetings		Governance Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
M J Bastian	9	9	5	5	6	6	–	–	–	–
G J Camm	8	9	–	–	5	6	3	3	–	–
A–M Corboy	9	9	–	–	6	6	3	3	–	–
J S Downes	9	9	5	5	6	6	3	3	1	1
H L Gluer	9	9	5	5	–	–	3	3	–	–
M A Somerville	9	9	5	5	–	–	3	3	–	–
D K Wakeley	9	9	5	5	6	6	–	–	–	–
D G Walsh	9	9	5	5	6	6	3	3	–	–
Independent Member of Nominations Committee										
C D Lewis	–	–	–	–	–	–	–	–	1	1
M A Bengtsson	–	–	–	–	–	–	–	–	1	1

A – Number of meetings attended.
B – Number of meetings held during the time that the Director held office during the year.

6. Remuneration

Principles of Compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the non-executive Directors, the Managing Director and senior executives of the Company.

Remuneration levels for key management personnel and secretaries of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and Executives. The Board Governance Committee obtains independent advice on remuneration packages given trends in comparable companies.

The Company does not provide incentive payments, such as bonus payments, as part of remuneration packages for key management personnel and secretaries of the Company.

Executive Leadership Team

The following table lists the remuneration bands for the bank's Executives including the Managing Director, for the year-ended 30 June 2019:

	No. of Executives
Up to $299,999	–
$300,000 to $400,000	3
$400,001 to $500,000	1
More than $500,001	2
Total	**6**

Non-executive Directors

Total remuneration for all non-executive Directors, last voted upon by members at the 2018 AGM, is not to exceed $600,038 per annum. For the year ended 30 June 2019, the total of the Director's base remuneration paid to all Directors was $597,846. The base payment for each Director was $73,922, with the Chair receiving a loading of $59,138 and the Chairs of each of the Committees receiving a loading of $7,814. These sums include relevant taxes payable by either the Company or the Directors.

7. Principal Activities

The principal activities of the Company during the year remained unchanged and were the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority (APRA) and the Banking Act 1959, and the use of those funds in providing financial services to its customers, while delivering positive social and environmental outcomes.

8. Review of Operations

The consolidated entity reported a net profit after income tax for the financial year ended 30 June 2019 of $22.8m (2018: $26.1m).

The year has seen continued growth in both net loans and advances and deposits. Net loans and advances grew 11.5% year on year, to $5,234.5m from $4,696.2m and deposits grew 13.7% year on year, to $5,275.9m from $4,640.8m.

This has contributed to the stable interest income result despite continued margin compression pressures.

9. Credit Rating

During the year ended 30 June 2019, the consolidated entity was rated by both Standard and Poor and Moodys. Long-term credit rating was maintained at 'BBB' with a stable outlook and the short-term rating was maintained at 'A-2' by Standard and Poor's Moody's rated Bank Australia to have a long-term credit rating of Baa1 with a stable outlook and a short-term rating of 'P2'.

Credit ratings are statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Credit ratings are subject to change. For the latest credit ratings information please refer to www.standardandpoors.com.au and www.moodys.com.au.

Standard & Poor's (Australia) Pty Ltd holds Australian financial services licence number 337565 under the Corporations Act 2001 as does Moody's Investors Service Pty Limited Australian financial services licence number 336969. Credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

10. Dividends

The Directors do not recommend a dividend and no dividends were declared or paid during the year.

11. Events Subsequent to Balance Date

There have been no events subsequent to balance date that would have a material effect on the consolidated entities and the company's financial statements as at 30 June 2019.

12. Likely Developments and Expected Results

The Directors are not aware of any other likely developments in financial years subsequent to 30 June 2019 that may significantly affect the operation and expected results of the Company.

13. Directors' Interests

During or since the end of the financial year no Directors have received or become entitled to any benefits (other than the remuneration listed above) from a contract between the bank and themselves, their firm or a company in which they have a substantial interest.

14. Indemnification of Officers and Auditors

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expenses contracts. The Company has not indemnified the current external auditors, Ernst & Young. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

15. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the financial year ended 30 June 2019.

16. Financial Accommodation to Directors and Associates

The provision of financial accommodation to Directors and associates of Directors does not contravene the Prudential Standards administered by APRA and is shown in the Company's accounts in accordance with applicable accounting standards.

17. Basis of preparation

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity financial statements in financial reports effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial report.

This report is made in accordance with a resolution of the Directors:

Judith Downes, Director
Signed on 26 September 2019

Michelle Somerville, Director
Signed on 26 September 2019

Lead Auditor's Independence Declaration

As lead auditor for the audit of Bank Australia Limited for the financial year ended 30 June 2019, 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 Bank Australia Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Luke Slater

Luke Slater, Partner
26 September 2019

Statement of financial position

at 30 June 2019

	Note	**Consolidated Entity 2019 $'000**	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Assets					
Cash and liquid assets	5	123,647	106,819	123,647	106,819
Receivables	21	17,717	28,823	17,868	29,068
Investment securities at amortised cost	6	888,899	753,171	888,899	753,171
Net loans and advances	7,8	5,234,467	4,696,152	5,234,467	4,696,152
Investments in associates	9	6,609	6,377	6,609	6,377
Other investments	10	26,619	26,619	30,237	30,237
Property, plant and equipment	22	29,349	29,968	18,196	18,841
Intangible assets		1,847	2,212	1,847	2,212
Derivative financial assets	17	1,367	1,027	1,367	1,027
Current tax receivable	23	630	–	630	–
Other assets		1,111	862	1,111	862
Total assets		**6,332,262**	**5,652,030**	**6,324,878**	**5,644,766**
Liabilities					
Deposits	3	5,275,948	4,640,757	5,278,954	4,643,583
Borrowings and bonds	4	447,256	440,027	447,256	440,027
Current tax payable	23	–	1,397	–	1,397
Provisions	23	7,390	6,257	7,390	6,257
Derivative financial liabilities	17	6,456	208	6,456	208
Other liabilities	23	59,228	50,569	59,228	50,550
Net deferred tax liability	15	2,766	2,641	244	2,641
Total liabilities		**5,799,044**	**5,141,856**	**5,799,528**	**5,144,663**
Net assets		**533,218**	**510,174**	**525,350**	**500,103**
Customer Owner's Funds					
Reserves	20	533,218	510,174	525,350	500,103
Total customer owner's funds		**533,218**	**510,174**	**525,350**	**500,103**

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Note	**Consolidated Entity 2019 $'000**	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Interest revenue	11	225,522	206,861	225,522	206,861
Interest expense	12	116,150	103,956	116,150	103,956
Revenue		**109,372**	**102,905**	**109,372**	**102,905**
Share of profit in an associate	9	140	1,442	140	1,442
Other revenue	13	15,180	15,446	15,214	15,391
Total revenue		**124,692**	**119,793**	**124,726**	**119,738**
Expenses					
Impairment of loans and advances	8	1,081	594	1,081	594
Other expenses	14	90,833	82,937	90,867	82,882
Total expenses		**91,914**	**83,531**	**91,948**	**83,476**
Profit before income tax		**32,778**	**36,262**	**32,778**	**36,262**
Income tax expense	15	9,956	10,160	9,956	10,160
Profit for the period		**22,822**	**26,102**	**22,822**	**26,102**
Other Comprehensive Income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		(1,414)	1,414	789	(339)
Net change in fair value of financial assets classified as fair value through other comprehensive income		–	(2,921)	–	(2,921)
Net change in share of equity of associates		–	(69)	–	(69)
Other reserve movements		514	–	514	–
Items that may or may not be reclassified to profit or loss					
Net gain on cash flow hedges		1,809	754	1,809	754
Total comprehensive income for the period attributable to customer owners		**23,731**	**25,280**	**25,934**	**23,527**

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

Statement of changes in customer owners' funds

for the year ended 30 June 2019

	Retained earnings $'000	General reserves $'000	**Asset revaluation reserve $'000**	Cash flow hedge reserve $'000	**Fair value reserve $'000**	General reserve for credit losses $'000	**Redeemed capital reserve $'000**	**Total Customer Owners' Funds $'000**
Consolidated								
As at 30 June 2018	**–**	**484,618**	**10,494**	**524**	**8,909**	**3,891**	**1,738**	**510,174**
Profit for the period	22,822	–	–	–	–	–	–	22,822
Other comprehensive income	–	514	(1,414)	1,809	–	–	–	909
Total comprehensive income	**22,822**	**514**	**(1,414)**	**1,809**	**–**	**–**	**–**	**23,731**
Impact of adopting AASB 9 impairment and hedging	–	(690)	–	–	–	–	–	(690)
Movement from controlled entity	–	3	–	–	–	–	–	3
Amount received on acquisition	–	–	–	–	–	–	–	–
Transfers between reserves	(22,822)	22,440	–	–	–	382	–	–
As at 30 June 2019	**–**	**506,885**	**9,080**	**2,333**	**8,909**	**4,273**	**1,738**	**533,218**
As at 30 June 2017	–	**459,085**	**9,080**	**(230)**	**11,830**	**3,391**	**1,738**	**484,894**
Profit for the period	26,102	–	–	–	–	–	–	26,102
Other comprehensive income	–	(69)	1,414	754	(2,921)	–	–	(822)
Total comprehensive Income	**26,102**	**(69)**	**1,414**	**754**	**(2,921)**	**–**	**–**	**25,280**
Amount received on acquisition	–	–	–	–	–	–	–	–
Transfers between reserves	(26,102)	25,602	–	–	–	500	–	–
As at 30 June 2018	–	**484,618**	**10,494**	**524**	**8,909**	**3,891**	**1,738**	**510,174**

Statement of changes in customer owners' funds (continued)

for the year ended 30 June 2019

	Retained earnings $'000	General reserves $'000	**Asset revaluation reserve $'000**	Cash flow hedge reserve $'000	**Fair value reserve $'000**	General reserve for credit losses $'000	**Redeemed capital reserve $'000**	**Total Customer Owners' Funds $'000**
Company								
As at 30 June 2018	**0**	**484,618**	**423**	**524**	**8,909**	**3,891**	**1,738**	**500,103**
Profit for the period	22,822	–	–	–	–	–	–	22,822
Other comprehensive income	–	514	789	1,809	–	–	–	3,112
Total comprehensive income	**22,822**	**514**	**789**	**1,809**	–	–	–	**25,934**
Impact of adopting AASB 9 impairment and hedging	–	(690)	–	–	–	–	–	(690)
Movement from controlled entity	–	3	–	–	–	–	–	3
Amount received on acquisition	–	–	–	–	–	–	–	–
Transfers between reserves	(22,822)	22,440	–	–	–	382	–	–
As at 30 June 2019	**–**	**506,885**	**1,212**	**2,333**	**8,909**	**4,273**	**1,738**	**525,350**
As at 30 June 2017	**–**	**459,085**	**762**	**(230)**	**11,830**	**3,391**	**1,738**	**476,576**
Profit for the period	26,102	–	–	–	–	–	–	26,102
Other comprehensive income	–	(69)	(339)	754	(2,921)	–	–	(2,575)
Total comprehensive Income	**26,102**	**(69)**	**(339)**	**754**	**(2,921)**	**–**	**–**	**23,527**
Amount received on acquisition	–	–	–	–	–	–	–	–
Transfers between reserves	(26,102)	25,602	–	–	–	500	–	–
As at 30 June 2018	**–**	**484,618**	**423**	**524**	**8,909**	**3,891**	**1,738**	**500,103**

The Statement of Changes in Customer Owners' Funds is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

for the year ended 30 June 2019

	Note	**Consolidated Entity 2019 $'000**	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Cash Flows from Operating Activities					
Inflows					
Interest received from loans		212,594	187,135	212,448	187,131
Interest received from investments		24,313	20,656	24,313	20,656
Fees and commission received		11,743	11,691	11,984	11,704
Dividends received		493	986	493	986
Income tax refund		–	417	–	417
Bad debts recovered		1,067	157	1,367	157
Other income		1,017	1,015	1,040	959
Total inflows		**251,227**	**222,057**	**251,645**	**222,010**
Outflows					
Interest paid on deposits		(100,510)	(91,267)	(100,616)	(91,267)
Interest paid to other corporations		(12,959)	(10,216)	(12,959)	(10,216)
Payments to suppliers and employees		(83,916)	(78,922)	(84,469)	(79,205)
Income tax paid		(11,858)	(9,243)	(14,381)	(9,243)
Total outflows		**(209,243)**	**(189,648)**	**(212,425)**	**(189,931)**
Net cash from operating activities	**29(c)**	**41,984**	**32,409**	**39,220**	**32,079**
Cash Flows from Investing Activities					
Net increase in investments		(137,472)	(72,179)	(134,950)	(72,179)
Proceeds from disposal on non-current assets		75	79	29	17
Net increase in loans		(531,698)	(398,459)	(531,698)	(398,459)
Physical assets purchased		(2,281)	(4,741)	(2,281)	(4,741)
Total outflows from investing activities		**(671,376)**	**(475,300)**	**(668,900)**	**(475,362)**
Cash Flows from Financing Activities					
Net increase in deposits		638,991	472,503	639,279	472,895
Net increase in borrowings		7,229	(4,493)	7,229	(4,493)
Total inflows from financing activities		**646,220**	**468,010**	**646,508**	**468,402**
Net increase in cash held		16,828	25,119	16,828	25,119
Cash at the beginning of the year		106,819	81,700	106,819	81,700
Cash at the end of the year	**5**	**123,647**	**106,819**	**123,647**	**106,819**

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements

About the financial statements.

This section summarises how the 30 June 2019 Financial Report has been prepared in accordance with the accounting standards issued by the Australia Accounting Standards Board and other regulatory requirements. This includes company information, significant judgements and accounting policy interpretations.

Key accounting policies which relate directly to a note within these financial statements have been clearly outlined as Accounting Policy within each of the relevant notes.

1. Reporting Entity

Bank Australia Limited (the Company) is a customer owned, mutual company, limited by shares, which is domiciled and incorporated in Australia. The address of the Company's registered office is 222 High Street Kew, Victoria 3101.

The consolidated financial statements of the Company for the financial year ended 30 June 2019 comprises the accounts of the Company and its subsidiaries (together referred to as the 'consolidated entity'). The Company is a for profit entity for the benefit of its customers and is primarily involved in the raising of funds, as authorised by the Prudential Standards administered by APRA and the Banking Act 1959, and the use of those funds in providing financial services to its customers while delivering positive social and environmental outcomes.

2. Basis of Preparation

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements comply with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Directors have applied the relief available under ASIC Class Order 10/654 Inclusion of parent entity financial statements in financial reports effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial statements.

The consolidated financial statements were authorised for issue by the Directors on 26 September 2019.

(b) Basis of Measurement

The financial statements have been prepared and presented in Australian dollars and on a cost basis except property, derivatives and some investments, which are stated at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that Instrument, amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Use of Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are considered reasonable under the circumstances. These estimates and judgements inform the decisions about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates in the event of realisation of the asset or liability. These accounting policies have been consistently applied by each entity in the Company.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about critical judgements in applying accounting policies that most significantly affect the financial statements are included in the following notes:

- Note 7 – Net loans and advances;
- Note 8 – Impairment of loans and advances;
- Note 10 – Other investments;
- Note 18 – Financial instruments; and
- Note 22 – Property, plant and equipment.

(d) Basis of Consolidation

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date control is transferred to the Company. For every business combination, the consolidated entity identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The acquisition date is the date on which control is transferred to the acquirer.

Measuring Goodwill

The Company measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. Consideration includes the fair value of the assets transferred, liabilities incurred and equity interests.

Transaction Costs

Transaction costs that the Company incurs in connection with a business combination, such as legal fees, due diligence fees and other professional consulting fees are expensed as incurred.

Subsidiaries and Special Purpose Entities

Subsidiaries and special purpose entities are entities controlled by the Company. Control exists when an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

Investments in subsidiaries are recognised at cost in the Company's financial statements.

The consolidated financial statements of the Company comprise the accounts of Bank Australia Limited, its subsidiary companies and special purpose entities, Ed Credit Services Pty Ltd, ECS Unit Trust and Buloke Funding Trust No. 1.

Transactions Eliminated on Consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(e) New Standards and Interpretations

AASB 9: Financial Instruments

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new forward looking expected credit loss model for calculating impairment of financial assets and a substantially reformed approach to hedge accounting.

AASB 9 has been adopted with effect from 1 July 2018. The accounting policy has been updated to reflect the new terminology in the new standard, refer to Note 8 – Impairment of loans and advances.

As the classification and measurement changes could be early applied in isolation without otherwise changing the accounting for financial instruments, these were adopted in the consolidated and company financial statements for the period ending 30 June 2011.

In accordance with the transition requirements of AASB 9, comparative information for 30 June 2018 has not been restated and transitional adjustments have been accounted for through general reserves as at 1 July 2018, the date of initial application. As a result, general reserves reduced by $690k due to additional impairment provisions following the implementation of the expected credit loss methodology.

The following table summarises the impact of the transitional adjustment 1 July 2018:

Balance Sheet	30 June 2018 $'000	Adjustment $'000	1 July 2018 $'000
Collective provision	1,417	**985**	2,402
Deferred Tax Asset	3,397	**295**	3,692
General Reserves	510,174	**(690)**	509,484

The Company applied hedge accounting prospectively. As at 1 July 2018 all of the Company's existing hedge relationships were eligible to be treated as continuing hedging relationships. As AASB 9 does not change the general principles of how an entity accounts for effective hedges, the application of AASB 9 did not have a material impact on the Company.

To reflect the changes between AASB 139 and AASB 9, AASB 7: *Financial Instruments Disclosures* has been amended and together with AASB 9 has been adopted by the Company from 1 July 2018.

AASB 15: Revenue from Contracts with Customers

AASB 15 'Revenue from Contracts with Customers' supersedes AASB 118 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard has been adopted with effect from 1 July 2018. The Accounting policy has been updated to reflect the terminology in the new standard. Refer to Note 13 – Other revenue.

The Company undertook a detailed assessment of its revenue contracts on adoption of the standard, which has been applied from 1 July 2018 using the modified approach. No material impact on the financial statements has been recognised as a result of adopting this standard.

(f) New Standards and Interpretations not yet Adopted

New standards and amendments to standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2019. We have identified one standard which is relevant to the Company, this is set out below. Other amendments made to existing standards that are not yet effective are not expected to result in a material impact to the Company's financial report.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 Leases along with a number of interpretations. The new standard will be effective for the year ending 30 June 2020.

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities;
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation- linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease; and
- AASB 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently; and
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. The Company's existing operating property lease agreements will result in the recognition of a new right of use asset and additional borrowings.

Based on the assessment carried out, there will be an increase in assets of $6.6 million and a corresponding increase in liabilities.

The Company will be applying a modified retrospective approach to the adoption of AASB 16. The Company has opted not to early adopt AASB 16.

Financial liabilities.

The principal activity of Bank Australia is the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority (APRA) and the Banking Act 1959.

As an Authorised Deposit Taking Institution (ADI), the Company accepts the deposits of our customers through transactional accounts, savings accounts and term deposits.

The Company uses these deposits to help create positive impact for people, their communities and the planet. In addition to customer deposits the Company also raises funds through wholesale borrowings as and when required.

3. Deposits

Accounting Policy

All deposits are initially recognised at fair value. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is calculated on an accrual basis. The amount of the accrual is shown as a part of trade creditors and accruals.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Call deposits	3,242,726	2,909,455	3,242,726	2,909,455
Deposits from related entities	–	–	3,006	2,826
Term deposits	2,033,222	1,731,302	2,033,222	1,731,302
Total deposits	**5,275,948**	**4,640,757**	**5,278,954**	**4,643,583**

4. Borrowings and Bonds

Accounting Policy

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

Interest is accrued over the period it becomes due and is recorded as part of trade creditors and accruals.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
(a) Borrowings				
Wholesale term deposits	21,000	114,026	21,000	114,026
Negotiated Certificates of Deposits	159,976	186,181	159,976	186,181
Warehouse securitised funding	141,280	139,820	141,280	139,820
Total borrowings payable	**322,256**	**440,027**	**322,256**	**440,027**

The Warehouse Facility provides the Company with access to additional funding beyond that provided by customer deposits. The funding from the Warehouse Facility is provided by Australia and New Zealand Banking Group Limited (ANZ). The Warehouse facility was established in April 2017, expires in April 2020, and can be renewed with the agreement of the relevant parties.

This Warehouse Facility is managed by Perpetual Corporate Trust Limited ("Perpetual") in its capacity as trustee for Buloke Funding Trust No. 1, a subsidiary of the Company.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
(b) Bonds				
Sustainability Bond	125,000	–	125,000	–
Total bonds payable	**125,000**	**–**	**125,000**	**–**

In August 2018, Bank Australia became the first customer owned bank in Australia to issue a sustainability bond. The Bond issuance provides a further means for the Company to raise funding.

The three-year, $125 million bond eligible asset pool contains assets that contribute to three United Nations Sustainable Development Goals: reduced inequalities, sustainable cities and communities, and life on land.

For more information about the bond and our approach to Impact Finance please see the FY19 Impact Report.

Financial assets.

As an ADI, the Company accepts the deposits of our customers to achieve the Company's purpose.

The acceptance of deposits and raising of external borrowings identified in the Financial Liabilities section allows the Company to help create positive impact for people, their communities and the planet.

We do this by lending money to:

- **Individual customers;**
- **Affordable housing;**
- **Housing for people with disability;**
- **Renewable energy projects; and**
- **Not-for-profit organisations.**

The Company will also lend to organisations which align with the Company's Responsible Banking Policy.

For more information refer to the Impact Report which explains how the bank has lived up to its responsible banking promise in 2019.

5. Cash and Liquid Assets

Accounting Policy

Cash and liquid assets comprise notes and coins, cash on hand and deposits at call with ADIs and are stated at the gross value of the outstanding balance less any unpresented cheques.

For the purposes of the statement of cash flows, cash and liquid assets consist of cash and liquid assets as defined above, net of any outstanding bank overdrafts. Cash and liquid assets are carried at amortised cost in the Statement of Financial Position.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Cash on hand	5,805	6,761	5,805	6,761
Cash at bank	45,833	53,316	45,833	53,316
Deposit at call – current	72,009	46,742	72,009	46,742
Total cash and liquid assets	**123,647**	**106,819**	**123,647**	**106,819**

6. Investment Securities at Amortised Cost

Accounting Policy

The Company initially recognises financial assets on the date at which it becomes a party to the contractual provisions of the instrument.

Investments are initially measured at fair value and the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination. The Company subsequently measures investments at amortised cost. Investments are measured at amortised cost using the effective interest method and net of any impairment loss, because (a) the asset is held within a business model with an objective to hold assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Impairment

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Impairment cost has been calculated utilising observable inputs and the credit rating of the counterparty.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Term deposits	52,660	52,660	52,660	52,660
Negotiable certificates of deposit	293,670	243,700	293,670	243,700
Asset backed securities	4,346	8,943	4,346	8,943
Floating rate notes	370,021	375,734	370,021	375,734
Fixed rate bonds	163,718	72,134	163,718	72,134
	884,415	**753,171**	**884,415**	**753,171**
Fair value hedge adjustment	4,484	–	4,484	–
Total investment securities	**888,899**	**753,171**	**888,899**	**753,171**

7. Loans and Advances

Accounting Policy

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Company provides directly to customers.

Loans and advances are initially recognised at fair value plus transaction costs directly attributable to the issue of the loan or advance. These are primarily brokerage/mortgage origination fees, and these are amortised over the estimated average life of the loan. Subsequently, loans and advances are measured at amortised cost using the effective interest rate method, net of any provision for credit impairment.

Securitisation

The Company enters into securitisation transactions in which it transfers financial assets that are recognised on its balance sheet. When the Company retains substantially all of the risks and rewards of the transferred assets, the transferred assets remain on the Group's balance sheet, however if substantially all the risks and rewards are transferred, the Company derecognises the asset.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Home Loans	4,747,207	4,229,674	4,747,207	4,229,674
Commercial Loans	374,391	338,445	374,391	338,445
Personal Loans	51,822	60,952	51,822	60,952
Overdrafts and Revolving Credit	50,636	57,777	50,636	57,777
Directors and Related Parties	3,573	3,170	3,573	3,170
Fair value hedge adjustment	1,278	(12)	1,278	(12)
Gross loans and advances	**5,228,907**	**4,690,006**	**5,228,907**	**4,690,006**
Less provision for impairment	(3,518)	(1,966)	(3,518)	(1,966)
Add net deferred loan fee costs	9,078	8,112	9,078	8,112
Net loans and advances	**5,234,467**	**4,696,152**	**5,234,467**	**4,696,152**

(b) Securitisation

Securitisation is the process of taking an illiquid asset, or group of assets, such as residential mortgages, and transforming it (or them) into a liquid security. The Company uses securitisation for funding and liquidity purposes. Details of each of the securitisations entered into by the Company are summarised in the following sections.

(i) Contingent Liquidity Facility

The Company has established a repurchase obligation trust (Buloke Funding Trust No. 1) for securing the ability to obtain liquid funds from the Reserve Bank of Australia. The trust enables the Company to access liquid funds if normal operational liquidity requirements cannot be satisfied. To support the liquidity arrangement loan contractual benefits have been transferred to the trust and the Company has purchased secured notes from the trust which may be sold to the Reserve Bank. The notes are secured by residential mortgage backed securities.

The loan contractual benefits transferred to the trust have not been derecognised in the Company's financial statements as the Company retains the benefits of the trust until the liquidity facility is drawn upon. The credit risk associated with the transferred loans remains with the Company.

The value of loans which do not qualify for derecognition as at 30 June 2019 was $697,350,163 (2018: $672,745,622).
The value of associated liabilities, including floating rate notes and accrued interest payable on the notes as at 30 June 2019 was $726,127,704 (2018: $716,419,794).

(ii) Residential Mortgage Backed Security (RMBS) Warehouse

The Company has a Residential Mortgage Backed Security (RMBS) Warehouse facility with Australia and New Zealand Banking Group Limited (ANZ) through Buloke Funding Trust No. 1. The facility forms part of the Company's funding strategy, enabling the Company to finance Australian prime residential mortgage home loans. Buloke Funding Trust No. 1 has issued Senior notes to ANZ and Junior notes to the Company, the proceeds from which have been used to purchase loan contractual benefits from the Company.

The loan contractual benefits transferred to the trust have not been derecognised in the Company's financial statements because the Company retains the benefits of the trust. The credit risk associated with the transferred loans remains with the Company.

The value of loans that do not qualify for derecognition as at 30 June 2019 was $150,853,853 (2018: $147,449,626).
The value of associated liabilities, including floating rate notes and accrued interest payable on the notes at 30 June 2019 was $141,385,821 (2018: $139,950,645).

(iii) Securitisation Program

In the past, the Company conducted a loan securitisation program whereby residential mortgage loans were sold as securities to an unrelated entity, Integris Securitisation Services Pty Ltd. As the contractual arrangements of the program met the criteria for transferring assets off balance sheet, these assets were removed from the Company's balance sheet. The Company bears no risk exposure in respect of these loans. The Company receives fee and commission income from securitised loans which is included in non-interest revenue. The Company no longer uses this program and the owner of the program has given notice to cease new loan securitisations. The pool of existing securitised loans is in run-off.

The balance of these securitised loans as at 30 June 2019 was $5,618,778 (2018: $6,661,580).

8. Impairment of Loans and Advances

Accounting Policy

Loans and advances are assessed at each reporting date to determine whether credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of a loan.

Exposures are assessed on an individual and collective basis.

Individual basis

Where sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows, the exposure is assessed on an individual basis.

Collective basis

Exposures are assessed on a collective basis by placing them into portfolios of loans with similar risk profiles. The Company applies a three-stage approach to measuring expected credit losses (ECLs) for loans and advances.

Stage	Measurement Basis
Stage 1	Financial instruments that are not credit-impaired on initial recognition are classified in this stage. A 12-month collective provision is allocated for these financial instruments.
Stage 2	Financial instruments that have deteriorated significantly in credit quality since origination are classified in this stage. A lifetime collective provision is allocated for these financial instruments.
Stage 3	Financial instruments that have objective evidence of impairment are classified in this stage. A lifetime collective provision is allocated for these financial instruments.

Transfers between stages and associated triggers are described in more detail under Key Judgements and Estimates.

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward looking analysis.

Portfolio Segmentation

After consideration of alternative methods of portfolio segmentation it was determined that the most appropriate portfolio segmentation is by loan type i.e. home loans, personal loans, commercial loans, overdrafts/revolving credit and overdrawn savings.

Calculation of expected credit losses

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

For accounting purposes, the 12-months and lifetime PD represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic conditions that affect credit risk. PD is calculated using a roll rate model incorporating historical movements of accounts between arrears buckets over the observation period. This methodology is used across each of the portfolio segments.

The LGD represents expected loss conditional on default, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. LGD is determined with reference to the loss rate incurred in each segment of the portfolio over the observation period and the actual loss incurred following default. This methodology is applied consistently across each segment except commercial loans where a benchmark LGD is applied given that no historical write-offs have been incurred in this segment.

The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdown of a facility. EAD is the current balance adjusted for undisbursed and drawable funds less scheduled repayments projected out by month. This methodology is applied consistently across each segment except for overdrafts/revolving credit and overdrawn savings where the EAD represents the credit limit.

The ECL calculation is the discounted product of the PD, LGD and EAD. The discount rate applied is the effective interest rate as defined in AASB 9.

Incorporation of forward looking adjustments

The Company uses macro-economic forecasts to incorporate forward-looking information into the calculation of the ECL. A macro-economic model is built using Australia-wide data, such as GDP and unemployment.

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

Key Judgements and Estimates

Definition of Default

The probability of default (PD) of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the ECL allowance. Default has occurred when there is evidence that the customer is no longer able to meet the repayments on their loan. The definition of default adopted by the Company is consistent with the rebuttable presumption in AASB 9 which states that default occurs no later than when a payment is 90 days past due.

The definition of default is also consistent with the Company's approach to credit risk management.

Lifetime of an Exposure

The probability of default (PD), loss given default (LGD) and exposure at default (EAD) are dependent on the expected life of a loan and advance and are applied to loans in stages 2 and 3. A range of approaches, segmented by product type, have been applied by the Company to estimate a product's expected life. AASB 9 stipulates that the maximum lifetime used must not exceed the contractual lifetime, however a shorter lifetime should be used if it is more reflective of the lifetime of the loan.

For home loans the expected lifetime is the average behavioural life time calculated as the average total lifetime on closed accounts. For commercial and personal loans the estimated lifetime is contractual lifetime and for overdrafts it is average remaining behaviour lifetime.

Significant Increase in Credit Risk

Performing assets are classified as either Stage 1 or Stage 2. An ECL allowance equivalent to 12 months expected losses is established against assets in Stage 1; assets classified as Stage 2 carry an ECL allowance equivalent to lifetime expected losses. Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk since initial recognition. Assets deemed as in default will be transferred to stage 3. For the Company triggers for movements between stages are disclosed below.

Stage	Trigger for movements between stages
Stage 1	Financial instruments with less than or equal to 30 days past due.
Stage 2	Financial instruments with greater than 30 days past due, and less than or equal to 90 days past due.
Stage 3	Financial instruments with greater than 90 days past due.

Impairment Charge of Loans and Advances

The following table shows the expenses incurred in the Statement of Comprehensive Income relating to the impairment of loans and advances.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Impairment charge	567	242	567	242
Bad debts written-off	514	352	514	352
Impairment of loans and advances	**1,081**	**594**	**1,081**	**594**

Provision for Impairment

The tables below identify the ECL in comparison to total portfolio exposure per Stage and how the ECL has moved between stages (as described under Key Judgements and Estimates) during the year.

Exposure by Segment and Stage

Exposure	**Consolidated Entity Stage 1 $'000**	**Consolidated Entity Stage 2 $'000**	**Consolidated Entity Stage 3 $'000**	**Consolidated Entity Total $'000**
Home Loans	5,445,543	8,861	6,094	5,460,498
Commercial Loans	353,310	281	44	353,635
Personal Loans	53,620	224	406	54,250
Overdrafts and revolving credit	230,740	243	200	231,183
Total exposure	**6,083,213**	**9,609**	**6,744**	**6,099,566**
Expected Credit Loss Provision	1,285	311	804	2,400
Individual provision for impairment	340	29	750	1,119

Exposure	**The Company Stage 1 $'000**	**The Company Stage 2 $'000**	**The Company Stage 3 $'000**	**The Company Total $'000**
Home Loans	5,445,543	8,861	6,094	5,460,498
Commercial Loans	353,310	281	44	353,635
Personal Loans	53,620	224	406	54,250
Overdrafts and revolving credit	230,740	243	200	231,183
Total exposure	**6,083,213**	**9,609**	**6,744**	**6,099,566**
Expected Credit Loss Provision	1,285	311	804	2,400
Individual provision for impairment	340	29	750	1,119

Provision Movement by Stage

	Consolidated Entity Stage 1 $'000	Consolidated Entity Stage 2 $'000	Consolidated Entity Stage 3 $'000	Consolidated Entity Total $'000
Balance as at 1 July 2018	**1,035**	**388**	**979**	**2,402**
Transferred to stage 1	347	(128)	(219)	–
Transferred to stage 2	(21)	63	(42)	–
Transferred to stage 3	(36)	(45)	81	–
New and increased provisions (net of repayments)	(62)	7	267	212
Write-offs	(143)	–	(371)	(514)
Forward looking and other adjustments	165	26	109	300
Balance as at 30 June 2019	**1,285**	**311**	**804**	**2,400**

	The Company Stage 1 $'000	The Company Stage 2 $'000	The Company Stage 3 $'000	The Company Total $'000
Balance as at 1 July 2018	**1,035**	**388**	**979**	**2,402**
Transferred to stage 1	347	(128)	(219)	–
Transferred to stage 2	(21)	63	(42)	–
Transferred to stage 3	(36)	(45)	81	–
New and increased provisions (net of repayments)	(62)	7	267	212
Write-offs	(143)	–	(371)	(514)
Forward looking and other adjustments	165	26	109	300
Balance as at 30 June 2019	**1,285**	**311**	**804**	**2,400**

Summary of Impaired and Past Due Assets

The following table provides details on impaired and past due assets. Gross amounts are shown before taking into account other credit enhancements.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Impaired Loans and Advances				
Total gross impaired loans and advances	1,652	723	1,652	723
Specific provision for impairment	1,065	407	1,065	407
Total net impaired loans and advances	**587**	**316**	**587**	**316**
Past Due Loans and Advances Greater than 90 Days				
Total gross past due loans and advances greater than 90 days	3,492	3,598	3,492	3,598
Specific provision for impairment	28	4	28	4
Total net past due loans and advances greater than 90 days	**3,464**	**3,594**	**3,464**	**3,594**

9. Investment in Associates

Accounting Policy

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investors' share of the investees' net assets. The investors' statement of profit or loss includes its share of the investees' statement of profit or loss and the investors' other comprehensive income includes its share of the investees' other comprehensive income. The Company's share of equity represents the carrying value of the investment at the balance date. Distributions received, such as dividends, from an investee reduce the carrying amount of the investment.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Investment in Data Action Pty Ltd	6,609	6,377	6,609	6,377
Total investments in associates	**6,609**	**6,377**	**6,609**	**6,377**

The Company has a 28.3% (2018: 28.3%) interest in, and representation on the Board of Data Action Pty Ltd, a provider of computer facilities management and associated support services. As the Company has determined it has significant influence over Data Action, the interests in the associate are accounted for using the equity method.

The table below illustrates the summarised financial information of the investment in Data Action Pty Ltd.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000
Current assets	16,499	15,933
Non-current assets	15,360	15,305
Current liabilities	5,687	6,837
Non-current liabilities	2,820	1,869
Equity	**23,352**	**22,532**
Proportion of the Company's ownership	28.3%	28.3%
Carrying amount of the investment	**6,609**	**6,377**
Movement in share of equity for the year	**232**	**397**
Total revenue	36,873	36,271
Total expenses	35,876	28,786
Profit before tax	997	7,485
Tax	502	2,389
Profit after tax	**495**	**5,096**
Share of profit for the year	**140**	**1,442**

During the year the Company received no dividends from Data Action Pty Ltd (2018: $990,500).

Other disclosures in relation to Data Action are as follows:

- Note 24 – Related Party Disclosure; and
- Note 26 – Commitments for Expenditure.

10. Other Investments

Accounting Policy

Other investments are measured at fair value with all changes in fair value recognised through other comprehensive income. The fair value of equity holdings is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

For investments in equity instruments, the Company has elected at initial recognition to present fair value gains and losses in other comprehensive income because the instruments are not held for trading.

For instruments measured at fair value through other comprehensive income, unrealised gains and losses are never reclassified to the Statement of Profit or Loss and Other Comprehensive Income and no impairments are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Dividends earned from such investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income unless the dividends clearly represent a recovery of part of the cost of the investment.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Shares at Fair Value				
Shares in Cuscal	26,619	26,619	26,619	26,619
Units in ECS Unit Trust	–	–	3,618	3,618
Total other investments	**26,619**	**26,619**	**30,237**	**30,237**

During the year the Company received $492,937 of dividends from Cuscal Limited (2018: $985,973).

Financial performance.

The Company generates revenue through the provision and management of the disclosed financial assets. The revenue is offset by the cost of the Company's financial liabilities which in association with other operating revenue and costs results in the profit of the Company.

11. Interest Revenue

Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is reported net of the amount of goods and services tax (GST). Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Interest revenue on loans is calculated on the daily balance outstanding and is charged in arrears to a customer's account monthly. Interest revenue is recognised in the statement of profit or loss as it accrues, using the effective yield interest method. Loan establishment fees and costs including upfront broker commission are also included in the effective yield interest method and are amortised over the average life of the loan.

Due to the short-term nature and reviewability of revolving credit facilities, all associated fees and costs, including establishment fees, are recognised at the time the related service is performed.

Interest revenue on deposits with other financial institutions, derivatives and investment securities are calculated on an accruals basis using the effective interest method.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Deposits with other financial institutions	3,224	3,147	3,224	3,147
Derivatives	493	619	493	619
Investment securities	20,934	17,504	20,934	17,504
Loans and advances	200,871	185,591	200,871	185,591
Total interest revenue	**225,522**	**206,861**	**225,522**	**206,861**

12. Interest Expense

Accounting Policy

Interest payable on customer deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the statement of profit or loss as it accrues, using the effective yield interest method.

Interest payable on borrowings is calculated on an accruals basis using the effective interest method.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Borrowings	12,959	10,216	12,959	10,216
Deposits	103,191	93,740	103,191	93,740
Total interest expense	**116,150**	**103,956**	**116,150**	**103,956**

13. Other Revenue

Accounting Policy

The Company applies AASB 15 Revenue from Contracts with Customers which became effective from 1 July 2018. The core principle of AASB 15 is that an entity recognises revenue progressively as services are delivered rather than when the consideration the entity expects to receive for those services can be reliably estimated.

The Company recognises revenue from contracts with customers in accordance with that core principle by applying the following steps:

Step 1: Identify the contract with the customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the amount of consideration in the contract;

Step 4: Allocate the consideration to each of the identified performance obligations; and

Step 5: Recognise revenue when (or as) each performance obligation is satisfied.

Fee Income

Fee income primarily comprises of account transaction and monthly fees, processing fees, credit card fees and loan package and overdraft fees.

The Company has determined that revenue associated with account and processing fees are recognised at the point in time the transaction occurs or service is performed. Credit card fees and loan package and overdraft fees should be recognised over time as the service has been provided. Those costs deferred under AASB 15 are capitalised and amortised over the estimated cardholder relationship, which in all cases is 12 months.

Commission Income

Commission income comprises insurance commissions received under an agency agreement held with Allianz Australia Insurance Limited as well as financial planning and VISA interchange commissions.

The Company has determined that performance obligations associated with commissions is met at the time the insurance policy is written, customer has been referred to financial planner or VISA debit or credit card is used by a customer.

Dividends

Dividend income is recognised under AASB 9: Financial instruments and is recorded as income on the date the Company's right to receive payments is established, which in the case of quoted securities is the ex-dividend date.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Fee income	4,308	4,767	4,308	4,767
Commissions	9,279	8,630	9,279	8,630
Dividends	493	986	493	986
Bad debts recovered	82	157	82	157
Intercompany management fees	–	–	10	10
Other	1,018	906	1,042	841
Total other revenue	**15,180**	**15,446**	**15,214**	**15,391**

14. Other Expenses

Accounting Policy

Operating Expenses

Operating expenses are recognised as services are provided to the entity over the period in which an asset is consumed or once a liability is created.

Wages, Salaries and related personnel expenses

Wages and salaries, annual leave and other employee entitlements expected to be paid or settled within twelve months of employees rendering service are measured at their nominal amounts using remuneration rates that the Company expects to pay when the liabilities are settled.

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The Company accrues employee entitlements relating to long service leave using an actuarial calculation. It includes assumptions regarding staff departures, leave utilisation and future salary increases. The result is then discounted using market yields at the reporting date.

Refer to Note 28 Employee Benefits for balances of employee benefit related provisions.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Wages and salaries	38,160	34,780	38,160	34,780
Customer product and service delivery costs	12,698	11,738	12,698	11,738
Marketing and development	10,629	10,163	10,629	10,163
Information technology and associated costs	9,101	7,968	9,101	7,968
Occupancy and associated costs	5,444	5,477	5,742	5,779
General administration costs	4,855	4,061	4,855	4,061
Other associated personnel expenses	5,098	3,912	5,098	3,912
Depreciation and amortisation expenses	3,048	3,087	2,802	2,747
Other	1,800	1,751	1,782	1,734
Total other expenses	**90,833**	**82,937**	**90,867**	**82,882**

15. Income Tax Expense

Accounting Policy

Income Tax

Income tax on profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss and other Comprehensive Income except to the extent that it relates to items recognised directly in equity. Income tax on equity items is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Nor is it recognised for the differences relating to investments in subsidiaries if they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or included in the item of the expense. Receivables and payables are stated with the amount of GST included.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Income Tax Expenses				
Profit before income tax	32,778	36,262	32,778	36,262
Income tax at Australia's statutory tax rate of 30%	9,833	10,879	9,833	10,879
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income:				
Fully franked dividends received	(211)	(847)	(211)	(847)
Non-deductible expenses	312	9	312	9
Non-assessable income / other	22	119	22	119
Income tax expense	**9,956**	**10,160**	**9,956**	**10,160**
Income tax expense comprises:				
Current income tax	10,965	10,480	10,965	10,480
Decrease/(increase) in deferred tax assets	(899)	(211)	(899)	(211)
(Decrease)/increase in deferred tax liabilities	(110)	(109)	(110)	(109)
	9,956	**10,160**	**9,956**	**10,160**
Franking credits	**156,571**	**143,330**	**156,571**	**143,330**

Franking credits held by the Company are after adjusting for franking credits that will arise from the payment of income tax at the end of the financial year.

Deferred Tax Assets

The balance comprises temporary differences attributable to:

Amounts recognised in the income statement:				
Provision for impaired loans	1,055	590	1,055	590
Depreciation of buildings	359	–	359	–
Depreciation of plant and equipment	481	443	481	443
Trade creditors and accruals	255	180	255	180
Provision for employee entitlements	1,603	1,574	1,603	1,574
Sundry provisions	613	303	613	303
Provision for impaired investments	–	307	–	307
Cash flow hedge reserve	563	–	563	–
	4,929	**3,397**	**4,929**	**3,397**
Amounts recognised directly in other comprehensive income:				
Cash flow hedge reserve	–	–	–	–
Gross deferred tax assets	**4,929**	**3,397**	**4,929**	**3,397**
Set-off of deferred tax assets and deferred tax liabilities	(4,929)	(3,397)	(4,929)	(3,397)
Net deferred tax assets	**–**	**–**	**–**	**–**

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Deferred Tax Liabilities				
The balance comprises temporary differences attributable to:				
Amounts recognised in the income statement:				
Core deposit intangibles	554	664	554	664
Amounts recognised directly in other comprehensive income:				
Land and buildings	3,089	1,314	567	1,314
Other investments	3,818	3,818	3,818	3,818
Cash flow hedge reserve	234	242	234	242
	7,141	**5,374**	**4,619**	**5,374**
Gross deferred tax liabilities	**7,695**	**6,038**	**5,173**	**6,038**
Set-off of deferred tax assets and deferred tax liabilities	(4,929)	(3,397)	(4,929)	(3,397)
Net deferred tax liabilities	**2,766**	**2,641**	**244**	**2,641**
Movements				
Opening balance	2,641	3,431	2,641	3,431
Transition adjustment – adoption of AASB 9 *Financial Instruments*	(295)	–	(295)	–
Recognised in income statement	(1,009)	(320)	(1,009)	(320)
Recognised in other comprehensive income	1,429	(470)	(1,093)	(470)
Closing balance	**2,766**	**2,641**	**244**	**2,641**

Capital and risk management.

The success of the Company's strategy to deliver on its purpose is underpinned by sound management of the Company's risks. All of the Company's activities involve the analysis, evaluation, acceptance and management of risks or combinations of risks.

16. Risk Management

The Company has exposure to the following risks from the use of financial instruments:

- credit risk;
- liquidity risk;
- non-traded market risk;
- interest rate risk;
- operational risk; and
- capital risk.

This note presents information about the exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk and capital. Further quantitative disclosures are included throughout the notes to the financial statements.

Risk Management Framework

The Board of Directors has overall responsibility for establishing and overseeing the Risk Management Framework.

The Board of Directors has implemented a Risk Management Policy and Risk Appetite Statement that establishes the overall framework for managing risk. Specifically, the Company's Risk Management Policy aims to:

- contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses;
- maintain a comprehensive and up-to-date risk policy statement that addresses all material risks and sets the risk limits acceptable to the Board;
- manage and mitigate risk that is defined as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected; and
- facilitate regular reporting to Executive Management, the Board and relevant committees.

The Board has established the Risk Committee, which provides an objective oversight of the implementation and on-going operation of the risk management framework; oversees and monitors risk identification, assessment and control methodologies; and ensures prudential and statutory requirements in relation to the risk management framework are met. The Committee reports regularly to the Board of Directors on its activities.

The Audit Committee oversees the effectiveness of internal controls and is assisted in its role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through training and management's standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Each operational area of the Company manages its own risks. This approach creates the first line of defence and encourages a risk culture that involves all staff. A central risk and compliance team, led by the Chief Risk Officer, creates a second line of defence.

The Company engages independent auditors and assurance advisors to review and monitor the risk management framework as well as our financial, economic, social and environmental performance. This creates the third line of defence.

(a) Financial Risk Management

The Company's exposure to financial risks (credit risk, liquidity risk, market risk and interest rate risk), are considered significant given financial instruments held by the Company constitute the core contributors of financial performance and position. An overview of the Company's key financial risks is presented below.

(i) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from loans and advances to customers, debt and investment securities. The Company has adopted a policy of dealing only with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Management of Credit Risk

The Board of Directors has implemented policies to mitigate and manage credit risk. Credit risk policies aim to:

- ensure customers can service their facilities;
- control and mitigate risk of loss associated with delinquent credit facilities and deteriorating loan assets;
- establish collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements; and
- establish the authorisation structure for the approval and renewal of credit facilities.

Impaired Loans and Securities

Impaired loans and securities are those for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreements.

Past Due but not Impaired Loans

These are loans and securities where contractual interest or principal payments are past due but the Company believes that impairment is not appropriate on the basis of security/collateral available and/or the stage of collection of amounts owed.

Allowances for Impairment

The Company establishes an allowance for impairment losses that represents the lifetime expected credit losses (ECLs) in its loan portfolio. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. In addition, a General Reserve for Credit Losses is carried in equity in accordance with APRA prudential requirements.

Write-off Policy

The Company writes off a loan/security balance (and any related allowance for impairment losses) when it is determined that the loan/security is uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Collateral

The Company holds collateral against loans and advances to the customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is usually not held against investment securities.

Settlement Risk

The Company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities of other assets as contractually agreed.

Exposure to Credit Risk

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets. The credit risk on financial assets that have been recognised in the balance sheet, other than investments in shares, is generally the carrying amount, net of any provisions for impairment, and is shown gross before the effect of mitigation through use of collateral. Credit risk for physical securities and investments is monitored by exposure to credit limits to counterparties. These limits are determined by reference to third party ratings.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties.

Concentration of Credit Risk

Concentration risk is managed by client or counterparty and by geographical region. The Company implements certain exposure and concentration limits in order to mitigate the risk.

As at 30 June 2019, four customers individually held loans which represented 10% or more of capital (2019: $143.3m; 2018: $55.0m).

The geographic concentration of loans is as follows:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Geographic Areas				
- Victoria (ex. Gippsland & Western Regions)	1,901,272	1,725,225	1,901,272	1,725,225
- New South Wales	995,434	910,056	995,434	910,056
- Queensland	608,478	557,574	608,478	557,574
- Victoria (Western Region)	535,838	487,169	535,838	487,169
- Victoria (Gippsland Region)	400,006	354,069	400,006	354,069
- Australian Capital Territory	314,418	280,475	314,418	280,475
- Western Australia	229,840	177,287	229,840	177,287
- South Australia	161,609	135,390	161,609	135,390
- Tasmania	45,859	31,870	45,859	31,870
- Northern Territory	36,153	30,891	36,153	30,891
	5,228,907	**4,690,006**	**5,228,907**	**4,690,006**

The entity adopted a new methodology to categorise loans by customer postcode rather than nearest branch.

Credit Quality – Loans and Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Company sets aside provisions for impairment of loans in accordance with its internal policies and procedures, which comply with AASB 9 Financial Instruments and APRA's APS 220 Credit Quality.

Credit Quality – Investments

Counterparty concentration risk is monitored by Treasury and the Asset and Liability Committee. Management establishes counterparty limits based on maximum exposure limits set by the Board and our internal credit assessment of a counterparty. The maximum exposure is limited to the carrying amount in the balance sheet classified according to APRA's APS 112 Capital Adequacy.

Credit Quality

	2019			2018		
	AAA+ to A $'000	BBB+ to B $'000	Total $'000	AAA+ to A $'000	BBB+ to B $'000	Total $'000
Consolidated Entity						
ADI's	500,919	324,854	825,773	460,272	283,956	744,228
Government and semi-government	54,296	–	54,296	–	–	–
Other	4,346	–	4,346	8,943	–	8,943
Total Investments at amortised cost	**559,561**	**324,854**	**884,415**	**469,215**	**283,956**	**753,171**

	2019			2018		
	AAA+ to A $'000	BBB+ to B $'000	Total $'000	AAA+ to A $'000	BBB+ to B $'000	Total $'000
The Company						
Listed Bank	500,919	324,854	825,773	460,272	283,956	744,228
Government and semi-government	54,296	–	54,296	–	–	–
Other	4,346	–	4,346	8,943	–	8,943
Total Investments at amortised cost	**559,561**	**324,854**	**884,415**	**469,215**	**283,956**	**753,171**

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

Management of Liquidity Risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Board of Directors has implemented policies to mitigate and manage liquidity risk. Liquidity risk policies aim to measure, monitor and manage liquidity risk. The key measure used by the Company for managing liquidity risk is the ratio of high quality liquid assets to its liabilities base, as defined in APRA Prudential Standards. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis including stress testing under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding and daily, medium and longer term liquidity projections.

Exposure to Liquidity Risk

The key measure used to manage liquidity risk is the ratio of high quality liquid assets to adjusted liabilities. For this purpose, liquid assets are considered to include cash and cash equivalents and investment grade debt securities for which there is an active and liquid market. The calculation is used to ensure compliance with the minimum level of liquidity prescribed by APRA. The Company complied with all APRA liquidity requirements throughout the year.

An analysis of residual contractual maturities of the Consolidated Entity's financial assets and liabilities is set out below. Expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

Maturity Analysis

	Less than 3 months $'000	> 3 months and <12 months $'000	> 1 year and <5 years $'000	> 5 years $'000	No specific maturity $'000	Total $'000
Consolidated Entity 2019						
Financial assets						
Cash and liquid Assets	123,647	–	–	–	–	123,647
Receivables	17,717	–	–	–	–	17,717
Investment securities	323,681	124,080	358,791	82,347	–	888,899
Gross loans and advances	60,433	142,056	406,451	4,562,465	57,502	5,228,907
Derivative financial assets	9	–	1,358	–	–	1,367
Investments in associates	–	–	–	–	6,609	6,609
Other investments	–	–	–	–	26,619	26,619
Total financial assets	**525,487**	**266,136**	**766,600**	**4,644,812**	**90,730**	**6,293,765**
Financial liabilities						
Deposits	3,956,003	1,111,005	208,940	–	–	5,275,948
Borrowings	148,724	173,532	125,000	–	–	447,256
Derivative financial liabilities	–	266	3,651	2,539	–	6,456
Creditors and Other Liabilities	59,228	–	–	–	–	59,228
Total financial liabilities	**4,163,955**	**1,284,803**	**337,591**	**2,539**	**–**	**5,788,888**
Company 2019						
Financial assets						
Cash and liquid Assets	123,647	–	–	–	–	123,647
Receivables	17,867	–	–	–	–	17,867
Investment securities	323,681	124,080	358,791	82,347	–	888,899
Gross loans and advances	60,433	142,056	406,451	4,562,465	57,502	5,228,907
Derivative financial assets	9	–	1,358	–	–	1,367
Investments in associates	–	–	–	–	6,609	6,609
Other investments	–	–	–	–	30,237	30,237
Total financial assets	**525,637**	**266,136**	**766,600**	**4,644,812**	**94,348**	**6,297,533**
Financial liabilities						
Deposits	3,959,009	1,111,005	208,940	–	–	5,278,954
Borrowings	148,724	173,532	125,000	–	–	447,256
Derivative financial liabilities	–	266	3,651	2,539	–	6,456
Creditors and Other Liabilities	59,228	–	–	–	–	59,228
Total financial liabilities	**4,166,961**	**1,284,803**	**337,591**	**2,539**	**–**	**5,791,894**

	Less than 3 months $'000	> 3 months and <12 months $'000	> 1 year and <5 years $'000	> 5 years $'000	No specific maturity $'000	Total $'000
Consolidated Entity 2018						
Financial assets						
Cash and liquid Assets	106,819	–	–	–	–	106,819
Receivables	28,823	–	–	–	–	28,823
Investment securities	165,671	238,325	340,232	8,943	–	753,171
Loans and advances (net of provisions and deferred fee income)	28,059	180,214	502,597	3,921,295	57,841	4,690,006
Derivative financial assets	–	12	1,015	–	–	1,027
Equity accounted investments	–	–	–	–	6,377	6,377
Other Assets	–	–	–	–	26,619	26,619
Total financial assets	**329,372**	**418,551**	**843,844**	**3,930,238**	**90,837**	**5,612,842**
Financial liabilities						
Deposits	3,799,579	732,122	109,056	–	–	4,640,757
Borrowings	201,723	98,484	139,820	–	–	440,027
Derivative financial liabilities	4	107	97	–	–	208
Creditors and Other Liabilities	50,569	–	–	–	–	50,569
Total financial liabilities	**4,051,875**	**830,713**	**248,973**	**–**	**–**	**5,131,561**
Company 2018						
Financial assets						
Cash and liquid Assets	106,819	–	–	–	–	106,819
Receivables	29,068	–	–	–	–	29,068
Investment securities	165,671	238,325	340,232	8,943	–	753,171
Loans and advances (net of provisions and deferred fee income)	28,059	180,214	502,597	3,921,295	57,841	4,690,006
Derivative financial assets	–	12	1,015	–	–	1,027
Equity accounted investments	–	–	–	–	6,377	6,377
Other investments	–	–	–	–	26,619	26,619
Total financial assets	**329,617**	**418,551**	**843,844**	**3,930,238**	**90,837**	**5,613,087**
Financial liabilities						
Deposits	3,802,405	732,122	109,056	–	–	4,643,583
Borrowings	201,723	98,484	139,820	–	–	440,027
Derivative financial liabilities	4	107	97	–	–	208
Creditors and Other Liabilities	50,569	–	–	–	–	50,569
Total financial liabilities	**4,054,701**	**830,713**	**248,973**	**–**	**–**	**5,134,387**

(iii) Non-traded Market Risk

Non-traded market risk is the risk of loss owing to changes in the general level of market prices or interest rates and refers to the market risk inherent in the Company's ordinary business activities. The Company is not exposed to any traded market risk or foreign exchange risk because it does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes and does not deal in foreign exchange contracts. The use of financial derivatives is governed by the Company's policies, as approved by the Board.

Management of Non-traded Market Risk

The Company's approach to managing non-traded market risk is to ensure that a detailed framework for identifying, managing, measuring, monitoring, overseeing and reporting non-traded market risk is maintained.

The Board of Directors has implemented policies to mitigate and manage non-traded market risk.

Non-traded market risk policies aim to establish a methodology for the calculation, examination, management and reporting of the interest rate risk position on a regular basis.

Management of non-traded market risk is vested in the Asset and Liability Committee (ALCO). The ALCO meets monthly and reviews the interest rate risk position and measures taken to manage that position.

(iv) Interest Rate Risk

The Company is exposed to the adverse impact of changes in market interest rates on its net interest income. This risk arises from mismatches between the repricing profiles of assets and liabilities.

The Board has established policies to manage interest rate risk to achieve stable and sustainable net interest income over the long term.

Management of Interest Rate Risk

The management of interest rate risk is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios.

During the year, the Company entered into a number of interest rate swaps to reduce the cash flow variability associated with changes in floating interest rates.

Effective Interest Rates and Re-pricing Analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date, the periods in which they reprice and contractual cash flows.

Effective Interest Rates and Re-pricing Analysis

In respect of income-earning assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date, the periods in which they reprice and contractual cash flows.

	0–3 months $'000s	3–12 months $'000s	1–2 years $'000s	2–5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate %
Consolidated Entity 2019							
Financial instruments							
(i) Financial assets							
Deposits at call	117,842	–	–	–	–	117,842	0.97
Investment securities	730,706	14,913	14,982	91,958	36,340	888,899	2.43
Loans and advances	4,302,547	293,011	300,674	311,167	27,068	5,234,467	4.05
Total financial assets	**5,151,095**	**307,924**	**315,656**	**403,125**	**63,408**	**6,241,208**	
(ii) Financial liabilities							
Deposits	3,966,894	1,102,046	145,487	61,521	–	5,275,948	2.05
Short term borrowings	415,004	32,252	–	–	–	447,256	2.38
Total financial liabilities	**4,381,898**	**1,134,298**	**145,487**	**61,521**	**–**	**5,723,204**	**–**
(iii) Derivative financial liabilities							
Interest rate swaps - notional principal	25,313	(40,000)	–	59,811	(45,124)	–	–
Consolidated Entity 2018							
Financial instruments							
(i) Financial assets							
Deposits at call	100,058	–	–	–	–	100,058	1.10
Investment securities	642,181	99,011	–	11,979	–	753,171	2.82
Loans and advances	3,856,343	167,805	385,230	281,093	5,681	4,696,152	4.22
Total financial assets	**4,598,582**	**266,816**	**385,230**	**293,072**	**5,681**	**5,549,381**	–
(ii) Financial liabilities							
Deposits	3,814,010	723,411	78,548	24,788	–	4,640,757	2.01
Short term borrowings	341,543	98,484	–	–	–	440,027	2.73
Total financial liabilities	**4,155,553**	**821,895**	**78,548**	**24,788**	**–**	**5,080,784**	–
(iii) Derivative financial liabilities							
Interest rate swaps - notional principal	(660,289)	435,100	85,000	140,189	–	–	–

	0–3 months $'000s	3–12 months $'000s	1–2 years $'000s	2–5 years $'000s	More than 5 years $'000s	Total carrying amount as per balance sheet $'000s	Weighted average effective interest rate %
The Company 2019							
Financial instruments							
(i) Financial assets							
Deposits at call	117,842	–	–	–	–	117,842	0.97
Investment securities	730,706	14,913	14,982	91,958	36,340	888,899	2.43
Loans and advances	4,302,547	293,011	300,674	311,167	27,068	5,234,467	4.05
Total financial assets	**5,151,095**	**307,924**	**315,656**	**403,125**	**63,408**	**6,241,208**	**–**
(ii) Financial liabilities							
Deposits	3,969,900	1,102,046	145,487	61,521	–	5,278,954	2.05
Short term borrowings	415,004	32,252	–	–	–	447,256	2.38
Total financial liabilities	**4,384,904**	**1,134,298**	**145,487**	**61,521**	**–**	**5,726,210**	**–**
(iii) Derivative financial instruments							
Interest rate swaps - notional principal	25,313	(40,000)	–	59,811	(45,124)	–	–
The Company 2018							
Financial instruments							
(i) Financial assets							
Deposits at call	100,058	–	–	–	–	100,058	1.10
Investment securities	642,181	99,011	–	11,979	–	753,171	2.82
Loans and advances	3,856,343	167,805	385,230	281,093	5,681	4,696,152	4.22
Total financial assets	**4,598,582**	**266,816**	**385,230**	**293,072**	**5,681**	**5,549,381**	**–**
(ii) Financial liabilities							
Deposits	3,816,836	723,411	78,548	24,788	-	4,643,583	2.01
Short term borrowings	341,543	98,484	–	–	–	440,027	2.73
Total financial liabilities	**4,158,379**	**821,895**	**78,548**	**24,788**	**–**	**5,083,610**	**–**
(iii) Derivative financial instruments							
Interest rate swaps - notional principal	(660,289)	435,100	85,000	140,189	–	–	–

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity to Interest Rate Risk

The Company measures on a monthly basis the sensitivity of forecast net interest income over a twelve month period to movements in market interest rates. The calculation is performed in two stages. First the interest rate repricing profile is calculated by allocating all assets and liabilities to maturity buckets based on their interest rate repricing characteristics. Second the impact of increases and decreases in interest rates of 1% and 2%, on net interest income over a twelve month period is calculated. The table below presents the results for these calculations for the consolidated entity as at 30 June 2019 (+/- 1% change).

The major classes of financial assets and liabilities that are subject to interest rate variation are loans to customers, cash with banks, investments and deposits from customers. The interest rates on the major proportion of these assets and liabilities can be adjusted in the short term to minimise any significant impact of mismatch on interest margins.

Interest Rate Movement

	Consolidated Entity and The Company			
	+1%	**+1%**	**-1%**	**-1%**
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Pre tax earnings at risk	3,900	(2,687)	(12,110)	(4,487)

(v) Operational Risk Management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure. It can also arise from external factors other than credit, market and liquidity risk such as those arising from legal, regulatory requirements, natural disasters or climatic events and generally accepted standards of corporate behaviour.

Management of Operational Risk

The Company's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and is managed through the monthly Operational Risk Committee.

17. Derivative Financial Instruments and Hedging

Accounting Policy

The Company uses interest rate swaps to manage its interest rate risk exposure. At inception of all hedge relationships the Company documents the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

	Cash Flow Hedge	Fair Value Hedge
Objective	To hedge changes to cash flows arising from interest rate risk.	To hedge fair value changes to recognised assets or liabilities arising from interest rate risk.
Recognition of effective portion	The effective portion of the gain or loss on the hedging instrument is recognised in Statement of Changes in Customers' Owners Funds in the cash flow hedge reserve	Fair value changes of the hedging instrument and those arising from the hedged risk on the hedged item are recognised in the Statement of Profit or Loss
Recognition of ineffective portion	Recognised in the Statement of Profit or Loss immediately when ineffectiveness arises	
Hedge instrument expires, is sold, or when hedging criteria is no longer met	Cumulative gains or losses are transferred to the Statement of Profit or Loss as/when the hedge item impacts the profit or loss. If the hedge item is no longer expected to occur the effective portion accumulated in customer owners' funds is transferred to the Statement of Profit or Loss as it arises	Cumulative hedge adjustments to the hedged item is amortised to the Statement of Profit or Loss on an effective yield basis.

The Company presents the fair value of its derivative assets and derivative liabilities on a gross basis. All derivatives, including those used for balance sheet hedging purposes, are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivative Financial Instruments

The table below sets out hedging derivative assets and liabilities by the hedged risk and type of relationship in which they are designated.

	Hedging instrument	Risk	2019 Carrying Amount $'000	2019 Notional Amount $'000	2018 Carrying Amount $'000	2018 Notional Amount $'000
Consolidated Entity						
Derivative Assets						
Cash Flow Hedge	Interest rate swap	Interest	1,367	232,500	1,014	165,100
Fair Value Hedge	Interest rate swap	Interest	–	–	13	30,189
			1,367	**232,500**	**1,027**	**195,289**
Derivative Liabilities						
Cash Flow Hedge	Interest rate swap	Interest	582	120,000	208	482,500
Fair Value Hedge	Interest rate swap	Interest	5,874	95,313	–	–
			6,456	**215,313**	**208**	**482,500**
Total derivative financial instrument			**(5,089)**		**819**	
The Company						
Derivative Assets						
Cash Flow Hedge	Interest rate swap	Interest	1,367	232,500	1,014	165,100
Fair Value Hedge	Interest rate swap	Interest	–	–	13	30,189
			1,367	**232,500**	**1,027**	**195,289**
Derivative Liabilities						
Cash Flow Hedge	Interest rate swap	Interest	582	120,000	208	482,500
Fair Value Hedge	Interest rate swap	Interest	5,874	95,313	–	–
			6,456	**215,313**	**208**	**482,500**
Total derivative financial instrument			**(5,089)**		**819**	

Hedged Items

The balance of the cash flow hedge reserve, which represents the effective portion of the movements in the hedging instrument, is presented in Note 20 Reserves and Capital Management. The movements in hedging instruments recognised in other comprehensive income are reported in the Company's Statement of Profit and Loss and Other Comprehensive Income. The amounts recognised in the cash flow hedge reserve for which hedge accounting is no longer applied is $1,875,615 (2018: $76,925).

The following table shows the carrying amount of fair value hedged items in hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The Company does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	2019 Carrying amount of hedged item $'000	2019 Hedge Ineffectiveness $'000	2019 Fair value hedge adjustment $'000	2018 Carrying of amount hedged item $'000	2018 Hedge Ineffectiveness $'000	2018 Fair value hedge adjustment $'000
Consolidated Entity						
Loans and Advances	40,813	(53)	1,278	30,189	–	(12)
Investments	54,296	(61)	4,484	–	–	–
The Company						
Loans and Advances	40,813	(53)	1,278	30,189	–	(12)
Investments	54,296	(61)	4,484	–	–	–

18. Financial Instruments

Net Fair Values of Financial Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: quoted prices (unadjusted) in active markets for identical instruments

Level 2: valuation techniques for which all significant inputs are based on observable market data

Level 3: valuation techniques for which all significant inputs are not based on observable market data.

When applicable, the fair value of an instrument is calculated using the quoted price in an active market for that instrument. A market is regarded as active if all transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments, fair values are determined using other techniques.

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year ending 30 June 2019.

The following table summarises the fair value of financial assets and liabilities measured at amortised cost on the face of the consolidated entity's statement of financial position and the disaggregation by the fair value hierarchy, and separately those of the Company.

	Carrying value $'000	Fair value Level 1 $'000	Fair value Level 2 $'000	Fair value Level 3 $'000	Fair value Total $'000
Consolidated Entity 2019					
Financial assets					
Investment securities	888,899	–	899,057	–	899,057
Loans and advances (net of provisions and deferred fee income)	5,234,467	–	–	5,244,106	5,244,106
Derivative financial assets	1,367	–	1,367	–	1,367
Other investments	26,619	–	–	26,619	26,619
Total financial assets	**6,151,352**	**–**	**900,424**	**5,270,725**	**6,171,149**
Financial liabilities					
Deposits	5,275,948	–	–	5,277,121	5,277,121
Borrowings	447,256	–	285,747	163,493	449,240
Derivative financial liabilities	6,456	–	6,456	–	6,456
Total financial liabilities	**5,729,660**	**–**	**292,203**	**5,440,614**	**5,732,817**

Consolidated Entity 2018					
Financial assets					
Investment securities	753,171	–	749,593	–	749,593
Loans and advances (net of provisions and deferred fee income)	4,696,152	–	–	4,702,176	4,702,176
Derivative financial assets	1,027	–	1,027	–	1,027
Other investments	26,619	–		26,619	26,619
Total financial assets	**5,476,969**	**–**	**750,620**	**4,728,795**	**5,479,415**
Financial liabilities					
Deposits	4,640,757	–	–	4,640,669	4,640,669
Borrowings	440,027	–	186,150	253,754	439,904
Derivative financial liabilities	208	–	208	–	208
Total financial liabilities	**5,080,992**	**–**	**186,358**	**4,894,423**	**5,080,781**

	Carrying Value $'000	Fair Value Level 1 $'000	Fair Value Level 2 $'000	Fair Value Level 3 $'000	Fair Value Total $'000
The Company 2019					
Financial assets					
Investment securities	888,899	–	899,057	–	899,057
Loans and advances (net of provisions and deferred fee income)	5,234,467	–	–	5,244,106	5,244,106
Derivative financial assets	1,367	–	1,367	–	1,367
Other investments	30,237	–	–	30,237	30,237
Total financial assets	**6,154,970**	**–**	**900,424**	**5,274,343**	**6,174,767**
Financial liabilities					
Deposits	5,278,954	–	–	5,280,432	5,280,432
Borrowings	447,256	–	285,747	163,493	449,240
Derivative financial liabilities	6,456	–	6,456	–	6,456
Total financial liabilities	**5,732,666**	**–**	**292,203**	**5,443,925**	**5,736,128**

The Company 2018					
Financial assets					
Investment securities	753,171	–	749,593	–	749,593
Loans and advances (net of provisions and deferred fee income)	4,696,152	–	–	4,702,176	4,702,176
Derivative financial assets	1,027	–	1,027	–	1,027
Other investments	30,237	–	–	30,237	30,237
Total financial assets	**5,480,587**	**–**	**750,620**	**4,732,413**	**5,483,033**
Financial liabilities					
Deposits	4,643,583	–	–	4,643,702	4,643,702
Borrowings	440,027	–	186,150	253,754	439,904
Derivative financial liabilities	208	–	208	–	208
Total financial liabilities	**5,083,818**	**–**	**186,358**	**4,897,456**	**5,083,814**

Interest Rates used to Determine Fair Value

The interest rates used to discount estimated cash flows, when applicable, are based on equivalent market rates at the reporting date.

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

Cash and Liquid Assets

The carrying values of cash and liquid assets approximate their fair value because they are short term in nature or are receivable on demand.

Receivables

The carrying values of receivables approximate their fair value because they are short term in nature or are receivable on demand.

Investment Securities

Fair value is a reasonable estimate of the fair value determined by reference to the current market value of the instrument. Fair value has been determined by a discounted cash flow model, where the future cash flows of the financial asset have been discounted back to the balance date using observable market interest rates offered at balance date for instruments with similar risk and maturity.

Loans and Advances

The carrying value of loans and advances is net of the provision for impairment. Interest rates on loans equate to comparable products in the marketplace. Discounted cash flows based on the loan type and its related maturity are used to calculate the fair value of fixed rate loans.

The difference between estimated fair values of loans and advances and carrying value reflects changes in interest rates since loan or advance origination.

Other Investments

Fair value of other investments is based on quoted prices in active markets for identical assets. If no quoted price is available and there is no observable market data to ascertain fair value, the average price ascertained through valuation techniques in accordance with AASB 13 Fair Value Measurement has been used to determine the fair value of the investment. For investments disclosed as Level 3 financial assets, the unobservable input has been determined to be the share price.

The company has one level 3 investment being shares with Cuscal, which is disclosed in Note 10. A reasonably possible range of alternate share prices would be a 10% increase or decrease in the share price. If the transaction price was to be increased by 10%, this would result in an increase in fair value by $2.7 million. If the transaction price was to be decreased by 10%, this would result in a decrease in fair value by $2.7 million.

Derivatives

The fair value of derivative financial instruments are from quoted closing market prices at balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable either directly or indirectly.

Deposits

The fair value of non-interest bearing, call and variable rate deposits and fixed rate deposits maturing within 3 months approximates its carrying value. Discounted cash flows (based upon the deposit type and its related maturity) are used to calculate the fair value of other term deposits.

Borrowings

The carrying values of short-term borrowings maturing within 3 months approximate their fair value because they are short term in nature. Discounted cash flows (based upon the instrument type and its related maturity) are used to calculate the fair value of other borrowings.

19. Standby Arrangements

The Company has arranged the following standby credit facilities:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Cuscal overdraft facility	15,000	15,000	15,000	15,000
Amount drawn	–	–	–	–
Total facilities available	**15,000**	**15,000**	**15,000**	**15,000**

There are no restrictions as to the withdrawal of these funds.

20. Reserves and Capital Management

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
(a) Reserves				
General reserves	506,885	484,618	506,885	484,618
Asset revaluation reserve	9,080	10,494	1,212	423
Cash flow hedge reserve	2,333	524	2,333	524
Fair value reserve	8,909	8,909	8,909	8,909
General reserve for credit loss	4,273	3,891	4,273	3,891
Redeemed capital reserve	1,738	1,738	1,738	1,738
Total Reserves	**533,218**	**510,174**	**525,350**	**500,103**

Nature and Purpose of General Reserves

General Reserve

The general reserve relates to accumulated retained earnings and net assets acquired through acquisitions.

Asset Revaluation Reserve

The asset revaluation reserve relates to the revaluation of property.

Cash Flow Hedge Reserve

The cash flow hedge reserves relates to the effective portion of the gain or loss on the hedging instrument.

Fair Value Reserve

The fair value reserve relates to the fair valuation of equity investments not held for trading under AASB 9 Financial Instruments.

General Reserve for Credit Losses

In accordance with APRA Prudential Regulations, a General Reserve for Credit Losses is maintained. This reserve is an appropriation of retained earnings to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Redeemed Capital Reserve

Redeemed capital reserve represents the amount of redeemable preference shares redeemed since 1 July 1999.

The Corporations Act requires redemption of shares to be made out of profits. Since the value of the shares redeemed has been paid to customers in accordance with the Constitution of the Company, the redeemed capital reserve account represents the amount of profits appropriated to the account.

Dividends

There were no dividends declared or paid during the financial year.

(b) Capital Management

The Company monitors capital requirements for the Company as a whole in accordance with the requirements set by the Company's regulator, APRA. In implementing the capital requirements, APRA requires the Company to maintain a prescribed ratio of total capital to total risk weighted assets.

Regulatory capital is analysed into two tiers:

- Tier 1 capital includes general reserves, retained earnings, asset revaluation reserves and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital includes qualifying collective impairment allowance after applying other regulatory adjustments.

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

The Company's capital adequacy ratio has been calculated as 16.4% (2018: 16.6%). The Company has complied with all externally imposed capital requirements throughout the period.

There have been no material changes in the Company's management of capital during the year.

Other Disclosures.

21. Receivables

Accounting Policy

Receivables are measured at amortised cost using the effective interest method and net of any impairment loss, because (a) the asset is held within a business model with an objective to hold assets to collect contractual cash flows and (b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Accrued income	4,148	3,448	4,299	3,689
Sundry debtors	13,569	25,375	13,569	25,379
Total receivables	**17,717**	**28,823**	**17,868**	**29,068**

22. Property Plant and Equipment

Accounting Policy

Land and buildings are measured at fair value less accumulated depreciation. Management determined that land and buildings constitute one class of asset under AASB 13, based on the nature, characteristics and risks of the property.

Fair value is determined with reference to external independent valuations provided by valuation companies with appropriate recognised professional qualifications and experience. The fair values are based on market values, being the estimated amount for which a property could be exchanged on date of valuation between a willing buyer and willing seller in an arm's length transaction. Valuations are carried out on a triennial basis or when there is a significant change in fair value. Revaluations are recorded through the Asset Revaluation Reserve.

Other items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other income' in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

Depreciation

With the exception of freehold land and artworks, depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and artworks are not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

Category	Depreciation Period
Freehold building	40 years
Leasehold improvement	lease term
Plant and equipment	3 to 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

	Land & buildings $'000	Leasehold improvements $'000	Plant & equipment $'000	Artwork $'000	Total $'000
Consolidated Entity 2019					
At cost / fair value	23,640	5,947	21,104	112	50,803
Depreciation	(340)	(4,386)	(16,728)	–	(21,454)
Carrying amount	**23,300**	**1,561**	**4,376**	**112**	**29,349**
Consolidated Entity 2018					
At cost / fair value	23,443	5,727	22,741	112	52,023
Depreciation	(124)	(4,374)	(17,557)	–	(22,055)
Carrying amount	**23,319**	**1,353**	**5,184**	**112**	**29,968**
The Company 2019					
At cost / fair value	12,511	5,947	20,829	112	39,399
Depreciation	(340)	(4,386)	(16,477)	–	(21,203)
Carrying amount	**12,171**	**1,561**	**4,352**	**112**	**18,196**
The Company 2018					
At cost / fair value	12,516	5,727	21,942	112	40,297
Depreciation	(124)	(4,374)	(16,958)	–	(21,456)
Carrying amount	**12,392**	**1,353**	**4,984**	**112**	**18,841**

23. Creditors and Other Liabilities

Accounting Policy

Trade and Sundry Creditors and Accruals

Trade and sundry creditors and accruals are on contractual terms and are generally payable within 1 to 3 months.

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Trade creditors and accruals	29,411	23,745	29,411	23,726
Sundry creditors	28,767	25,174	28,767	25,174
Deferred income	1,050	1,650	1,050	1,650
Provision for income tax	(630)	1,397	(630)	1,397
Provision for employee entitlements	5,342	5,247	5.342	5,247
Sundry provisions	2,048	1,010	2,048	1,010
	65,988	**58,223**	**65,988**	**58,204**

24. Related Party Disclosures

(a) Transactions with Key Management Personnel

Key management personnel comprises seven non-executive Directors, one Managing Director and five executive managers during the year to 30 June 2019.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Short-term employee benefits	3,578	3,126	3,578	3,126
Other long-term benefits	56	48	56	48
Post-employment benefits	219	192	219	192
Termination benefits	–	–	–	–
	3,853	**3,366**	**3,853**	**3,366**

Post-employment benefits are payments to defined contribution superannuation plans under which an entity pays fixed contributions to separate entities and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the statement of profit or loss as incurred.

(b) Loans to Key Management Personnel

Aggregate value of loans and credit facilities to key management personnel and related parties at balance date amounted to:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Key management personnel	3,568	3,167	3,568	3,167
Related parties	5	3	5	3
Less provision for impairment	–	–		–
	3,573	**3,170**	**3,573**	**3,170**
Loans made during the financial year by the Company to key management personnel and related parties:	2,167	1,629	2,167	1,629
Total	**2,167**	**1,629**	**2,167**	**1,629**

All loans disbursed were approved in accordance with standard lending policies for each class of loan.

Repayments against loans and interest charged to key management personnel and related parties amounted to:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Repayments	1,643	1,340	1,643	1,340
Interest charged	147	129	147	129

During the year repayments were made on all loans to key management personnel and related parties in accordance with terms and conditions.

All transactions between key management personnel and related parties and the Company were conducted in accordance with normal terms and conditions. The terms and conditions in respect of all loans to key management personnel and related parties have not been breached.

(c) Other Key Management Personnel Transactions with the Company

There are no other transactions or contracts to which key management personnel or related entities are a related party.

(d) Amounts Paid to Associates

The Company has an agreement with Data Action Pty Ltd for the provision of computer facilities and associated support services. The arrangements with Data Action Pty Ltd are disclosed in notes 9 and 26 (b). The table below illustrates the payments made to Data Action for these services:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Amounts paid to associates	7,639	8,966	7,639	8,966

25. Auditor's Remuneration

Auditors of the Company are Ernst & Young.

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Audit Services				
- Audit and review of financial reports	167	151	167	151
- Other regulatory audit services	108	73	108	73
	275	**224**	**275**	**224**
Other Services				
- Taxation services	19	19	19	19
- Assurance services	62	83	62	83
	81	**102**	**81**	**102**

26. Commitments for Expenditure

(a) Lease Commitments

Operating lease commitments under existing lease arrangements for building accommodation are payable over the following periods:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Within 1 year	2,443	2,418	2,443	2,418
1 to 2 years	1,952	1,793	1,952	1,793
2 to 5 years	3,171	2,862	3,171	2,862
Greater than 5 years	–	–	–	–
Total lease commitments	**7,566**	**7,073**	**7,566**	**7,073**

(b) Material Service Contract Commitments

The Company has contracts with Data Action Pty Ltd to provide computer facilities management services and associated support services and with Cuscal Ltd for payment services. The contract with Cuscal Ltd was renewed this financial year for 7 years. The balance of fees payable under the contracts are payable over the following periods:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Within 1 year	14,167	4,595	14,167	4,595
1 to 2 years	14,617	4,755	14,617	4,755
2 to 5 years	42,596	15,288	42,596	15,288
Greater than 5 years	16,531	1,364	16,531	1,364
Total material service contract commitments	**87,911**	**26,002**	**87,911**	**26,002**

27. Contingent Liabilities and Forward Commitments

(a) Outstanding Loan Commitments

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Loans approved but not funded	151,643	161,832	151,643	161,832
Undrawn credit commitments	174,922	185,634	174,922	185,634
Loans available for redraw	631,148	602,059	631,148	602,059
Total commitments	**957,713**	**949,525**	**957,713**	**949,525**

Generally, there are no restrictions to withdrawal of funds under undrawn credit commitments, provided normal repayments are maintained. All such commitments are, however, cancellable at the discretion of the Company.

(b) Liquidity Support Scheme

The Company is party to CUFSS Limited. CUFSS Limited is a voluntary emergency liquidity support scheme that mutual banks, credit unions and building societies participate in. CUFSS Limited is a company limited by guarantee, each participant's guarantee being $100.

As a participant to the CUFSS Limited scheme, the Company:

- May be required to advance funds of up to $100m (excluding permanent loans) of total assets to another Mutual Authorised Deposit-taking Institution (ADI) requiring financial support;
- May be required to advance permanent loans of up to 0.1% of total assets per financial year to another Mutual ADI requiring financial support; and
- Agrees, in conjunction with other participants, to fund the operating costs of CUFSS Limited.

28. Employee Benefits

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Salaries and wages accrued	283	266	283	266
Liability for long service leave	3,282	3,173	3,282	3,173
Liability for annual leave	2,056	2,068	2,056	2,068
Liability for purchased annual leave	3	6	3	6
Total employee benefits	**5,624**	**5,513**	**5,624**	**5,513**

(a) Superannuation

The Company contributes on behalf of its employees into superannuation funds under normal conditions of employment, and in satisfaction of the requirements of the Superannuation Guarantee Scheme. During the year, the Company contributed to various superannuation funds with the main fund being NGS Super.

(b) Contributions Paid and Payable to Superannuation Plans

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Employer contributions to the plans	3,404	3,165	3,404	3,165

(c) Employees

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Full-time equivalent employees	386	366	386	366

29. Reconciliation of Cash Flows from Operating Activities

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash means cash on hand and cash equivalents. Cash equivalents are highly liquid investments with short periods to maturity (1 to 2 days) that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and borrowings that are integral to the cash management function and that are not subject to a term facility.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Cash on hand	5,805	6,761	5,805	6,761
Cash at bank	45,833	53,316	45,833	53,316
Deposits at call	72,009	46,742	72,009	46,742
	123,647	**106,819**	**123,647**	**106,819**

(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:

- deposits, shares and withdrawals from savings and investment accounts;
- loans and repayments; and
- borrowings and repayments.

(c) Cash Flows From Operating Activities

	Consolidated Entity 2019 $'000	Consolidated Entity 2018 $'000	**The Company 2019 $'000**	The Company 2018 $'000
Profit for the year	22,822	26,102	22,822	26,102
Adjustments for:				
Depreciation	1,776	3,087	1,621	2,747
Amortisation	1,272	366	1,180	366
(Profit)/loss on disposal of non current assets	–	109	–	109
Bad debts written off	514	352	514	352
Charge for loan impairment	1,552	242	1,552	242
Share of profit of an associate	(140)	(1,442)	(140)	(1,442)
Operating profit before changes in provisions	**27,796**	**28,816**	**27,549**	**28,476**
Increase/(decrease) in employee entitlements	95	350	95	350
Increase/(decrease) in sundry provision	1,038	121	1,038	121
(Increase)/decrease in accrued income	(699)	(275)	(459)	(262)
(Increase)/decrease in prepayments	(249)	371	(249)	369
Increase/(decrease) in trade creditors and accruals	5,666	2,194	5,578	2,197
Increase/(decrease) in net deferred income	(1,567)	(2,106)	(1,567)	(2,106)
(Increase)/decrease in sundry debtors	11,806	1,604	11,660	1,600
(Increase)/decrease in deferred tax assets/liabilities	125	(790)	(2,398)	(790)
Increase/(decrease) in provision for income tax	(2,027)	2,124	(2,027)	2,124
Net cash provided by operating activities	**41,984**	**32,409**	**39,220**	**32,079**

30. Controlled Entities

Details of controlled entities consolidated into the group financial statements are as follows:

Name	Country of incorporation	% owned	Investment at cost $'000	Contribution to operating profit after tax $'000
Ed Credit Services Pty Ltd	Australia	100	–	–
ECS Unit Trust	Australia	100	3,618	150
Buloke Funding Trust No. 1	Australia	100	–	–

31. Events After Balance Date

There have been no events subsequent to balance date that would have a material effect on the consolidated entity's and the company's financial statements as at 30 June 2019.

Directors' declaration

for the year ended 30 June 2019

In the opinion of the Directors of Bank Australia (the Company),

(a) the financial statements and notes set out on pages 11 to 54 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2019 and of their performance, for the financial year ended on that date

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a)

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

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

Michelle Somerville, Director
Signed on 26 September 2019

Damien Walsh, Director
Signed on 26 September 2019

Independent Auditor's Report

to the members of Bank Australia Limited

Opinion

We have audited the financial report of Bank Australia Limited (the Company) and its controlled entities (collectively the Group), which comprises the Group consolidated and Company statements of financial position as at 30 June 2019; the Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended 30 June 2019, notes to the financial statements, including a summary of significant accounting policies; and the directors declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 2019 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* (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 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.

to the members of Bank Australia Limited

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.
- 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

Ernst & Young

Luke Slater

Luke Slater, Partner
Melbourne, 26 September 2019

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