regional australia bank

2021
ANNUAL REPORT

Staying Connected

DIRECTORS

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

CHIEF EXECUTIVE OFFICER

Kevin Dupé retired 1 July 2021,
David Heine commenced 1 July 2021

COMPANY SECRETARY

David Munday

REGISTERED OFFICE

Technology Park
Madgwick Drive
ARMIDALE NSW 2350

SOLICITORS

Wallmans Lawyers
400 King William Street
ADELAIDE SA 5000

APJ Law
126/128 Beardy Street
ARMIDALE NSW 2350

BANKERS

Australian Settlements Limited (ASL)
Level 3
151 Castlereagh Street
Sydney NSW

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

Cuscal Limited
1 Margaret Street
SYDNEY NSW 2000

AUDITORS

KPMG
International Tower 3
300 Barangaroo Avenue
SYDNEY NSW 2000

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regional australia bank

REGIONAL AUSTRALIA BANK

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

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

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

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

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

2020/2021 HIGHLIGHTS

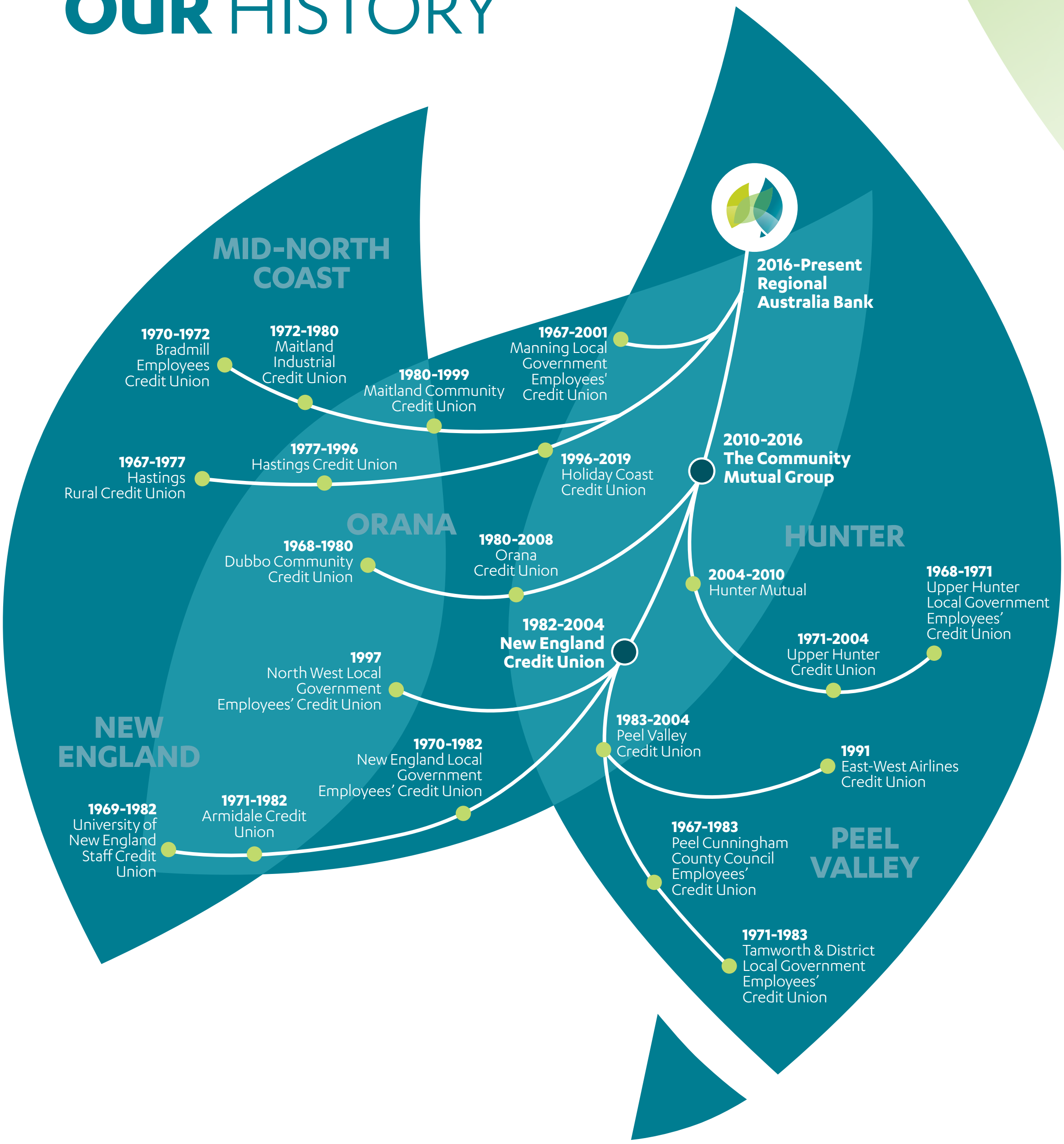
Supporting Regional Australia with Loan growth of 17%

$2.27m donated through Community Partnership Program

$2.8 billion assets

First bank in Australia to process a loan using Consumer Data Right (CDR)

OUR HISTORY



Fifty years ago, various groups of people in our regions decided to band together and create something for each other. They decided to put people before profit and created a banking alternative that wasn't bound by the distraction of delivering profits in the interest of financial shareholders. They created a customer-owned and operated financial institution and started a movement in community banking. Today, our customers remain our shareholders and we continue to deliver a style of service that is valued by thousands, right across Australia.

CHAIRMAN'S REPORT

Dear Members,

2020-21 was undoubtedly a challenging year for communities right across Australia, and although the first half of this year suggested that we were managing the impacts of COVID-19 well, we once again find ourselves in very challenging times.

In our heartland of regional NSW alone, we have once again had to revert to a work-from-home for most of our Head Office staff and adjust our branch operations to ensure the safety of both our customers and staff.

Despite these unrelenting challenges, Regional Australia Bank has remained focused on ensuring the personal and financial welfare of all our customers. This has been demonstrated in several areas across the bank but none better than in the growth of our lending portfolio which grew 17.2% with the majority of this growth in home lending. It's this unwavering dedication and support for our customers during these turbulent times that characterises who we are.

This year also marked the end of an era for Regional Australia Bank, with CEO Kevin Dupé announcing his retirement in February. Kevin dedicated more than two decades of his career to the organisation, with his hard work and leadership excellence making Regional Australia Bank the success it is today.

Kevin's period as CEO began in 2001 when the organisation was formerly known as New England Credit Union. Over his tenure as CEO, Kevin led the Regional Australia Bank team from being a small player in the customer owned banking sector to one of the best performing customer owned banks in the country.

As can be seen in this final year of Kevin's stewardship, not only did he oversee growth in the bank's loan book to $2.2 billion, but the bank also achieved a record profit of $22.4 million – even while facing the economic and health challenges of a one-in-100-year pandemic. Kevin has left the organisation well equipped for a new leadership chapter with a robust strategy and a strong balance sheet to ensure it's well positioned to deal with the ongoing impact of COVID-19.

Following Kevin's retirement announcement, the bank went through a rigorous process to secure our next CEO, with the opportunity attracting high-quality internal and external applicants.

On 1 July 2021, courtesy of a seamless handover from Kevin, Dave Heine joined Regional Australia Bank as our new CEO.

Dave has a wealth of experience in banking and the broader payments services sector and is well known to the customer owned banking sector. He spent several years as a General Manager at Cuscal, before broadening his experience at EFTPOS, Cardtronics, and Armaguard, all of whom have connections to the customer owned banking sector.

On behalf of the Board, and all of us at Regional Australia Bank, we welcome Dave and look forward to working with him as we continue to manage our way through this pandemic and position the bank for a bright future on the other side.

The pandemic has also highlighted the importance of staying connected, both across the team and with our customers.

The organisation is proud of the leadership and initiative shown by *all our staff* in ensuring that both colleagues and customers feel supported.

On the products and services front, our Community Partnership Program has undergone some important changes. With deposit interest rates at near zero, and to ensure the sustainability of the Community Partnership Program, as of 1 July 2021, we have had to reduce the interest rate benchmark used to calculate our contribution back to those community organisations who are recipients of payments from the program.

Despite the changes, we are proud to continue to deliver this program, which this year reached another new milestone of more than $2 million in community donations. This new chapter of the Community Partnership Program will ensure we can continue to support communities across Regional Australia, creating better and more sustainable places to live.

We have also continued to increase our profile along the Mid North Coast with the opening of a new branch and regional office in the heart of Port Macquarie, confirming our ongoing commitment to local customers and businesses and investment into the community.

In closing, it has been a pleasure to serve as Chairman on the Board of Regional Australia Bank and I would like to thank my fellow Board members for their contribution throughout the year.

On behalf of the Board, I would also like to pass on our thanks to Kevin Dupé for his outstanding service to the organisation and extend another warm welcome to our new CEO, Dave Heine. I would also like to thank the Executive Management team and all our staff for their continued devotion and commitment to the organisation, particularly during these extraordinary times.

Regards

Graham Olrich

Chairman

BOARD
OF DIRECTORS

GRAHAM OLRICH

CHAIRMAN SINCE 2014 - BOARD MEMBER SINCE 2011

Graham has extensive knowledge and experience in banking spanning over 40 years, with many of those as CEO/Managing Director of Credit Union Australia (CUA). Graham has served as a Non-executive director on many boards over the past 20 years and runs his own consulting business to the banking sector. Key responsibilities on the Board include Ex-officio member of the Audit Committee, Corporate Governance Committee and Risk Committee.

MICHAEL FENECH

BOARD MEMBER SINCE 2014

Michael has extensive banking industry knowledge, including a deep knowledge of risk management, leadership, and strategy. Michael also has considerable executive management experience in the banking sector across Australia, operating in roles at Chief Executive level. Michael is actively involved as a consultant to many financial institutions and holds various board positions. Key responsibilities on the Board include member and Chair of the Audit Committee and member of the Corporate Governance Committee.

BRIAN GOODALL

BOARD MEMBER SINCE 1997

During a career as a lawyer, Brian developed extensive experience in the mutual banking sector with particular emphasis on the legal and compliance areas. Brian has now focused solely on his board roles with many organisations in the banking and not-for-profit sector. Brian is also active in the Australian Institute of Company Directors. His key responsibilities on the Board include member and Chair of the Corporate Governance Committee.

ALLAN GORDON

BOARD MEMBER SINCE 2006

Allan has extensive background in small business lending and commercial management. He brings knowledge and expertise in the areas of financial and business management, leadership and compliance, having operated a business consultancy company specialising in the area of business management and mortgage fund compliance. Allan has many years of experience operating at an executive level and is presently Chief Executive Officer of Hastings Co-operative. Key responsibilities on the Board include being a member of the Audit Committee.

KATE JAMES

BOARD MEMBER SINCE 2008

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

DAVID JOHNSON

BOARD MEMBER SINCE 2016

David has extensive experience working in the banking and business sectors at the senior management and company secretary level. Now retired, David brings extensive Board experience in the areas of financial performance, audit, risk and governance and has been a director on boards in varied industries since 1995. David is a graduate of the Australian Institute of Company Directors. Key responsibilities on the Board include being a member of the Risk Committee and Audit Committee.

NEVILLE PARSONS

BOARD MEMBER SINCE 2007

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

DR ALISON SHERIDAN

BOARD MEMBER SINCE 2003

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

GEOFF THOMPSON

BOARD MEMBER SINCE 2008

Geoff has extensive experience in accounting and business consulting and is a partner in the national accounting firm, Pitcher Partners. Geoff has expertise in providing specialised business advice to some of the Hunter Valley's most significant businesses.
Key responsibilities on the Board include being a member of the Audit Committee and Risk Committee.

EXECUTIVE MANAGEMENT

KEVIN DUPÉ

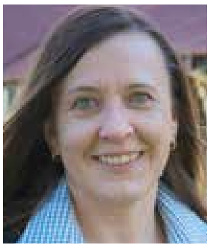
CHIEF EXECUTIVE OFFICER - RETIRED 01 JULY 2021

Kevin brings a strong economic background to Regional Australia Bank. Kevin has over 25 years' experience in the customer owned banking sector, including 24 years at Regional Australia Bank. Prior to entering the customer owned banking sector, Kevin spent 15 years as a Director in various economic and socioeconomic policy units in the Federal Government.

DAVID HEINE

CHIEF EXECUTIVE OFFICER - COMMENCED 01 JULY 2021

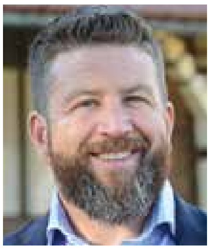
David brings extensive experience to Regional Australia Bank, with almost 30 years working across the finance and banking sector. Throughout his career, David has held executive positions at Cuscal Ltd, Eftpos, Cardtronics and Linfox Armaguard. He has specialised in innovation, technology and payment systems.



MICHELLE EDMONDS

DEPUTY CHIEF EXECUTIVE OFFICER

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



LES BAILEY

CHIEF TRANSFORMATION OFFICER

With over 20 years' experience within the customer-owned banking sector, Les has held numerous non-executive director and senior executive roles specialising in Strategy, Governance, Risk Management, Compliance and Retail Distribution. Les holds a master's degree in Business Administration (MBA) and is also a graduate of the Australian Institute of Company Directors.

ROB HALE

CHIEF DIGITAL OFFICER

Rob is an active member of industry forums and groups in the customer owned banking sector, he's a current member of the Australian Consumer Data Right (CDR) Advisory Committee and in 2020, led Regional Australia Bank to become the first Accredited Data Recipient, and the first Australian bank to both publish and consume CDR data. Rob brings over 30 years of experience in international technology and information management roles to the CDO position.

JAMES HARRIS

CHIEF FINANCIAL OFFICER

James has extensive financial management and executive experience across banking and financial services in Australia, Europe and North America. James has accountability across the Treasury and Finance functions of the bank and is a Fellow of Certified Practising Accountants (FCPA), holding formal qualifications in accounting and finance from the University of New England and FINSIA.

DAVID MUNDAY

CHIEF GOVERNANCE & LEGAL OFFICER AND COMPANY SECRETARY

David Munday has extensive executive management experience in the banking sector. David has accountability for the bank's corporate governance, company secretariat, compliance and legal matters. David also holds the position of Company Secretary. He has formal qualifications in business, law and is a chartered Company Secretary. David is a graduate of the Harvard Business School and the Australian Institute of Company Directors.

CAMPBELL NICOLL

CHIEF RISK OFFICER

Having over 20 years' experience in Credit and Non-Financial Risk Management, Campbell brings a strong risk management background to the Executive Management Team. Campbell is both a Chartered Banker and a Fellow of FINSIA. Prior to his role at Regional Australia Bank, Campbell's experience within the financial sector includes General Manager positions at ASB Bank (New Zealand) and Bank of South Pacific (Fiji).

CHRIS STACE

CHIEF OPERATIONS OFFICER

With a steadfast background in business planning, strategy and delivery of transformational change programs, Chris brings over 17 years of banking and finance leadership experience to the executive management team. A qualified and experienced leader, Chris has a Bachelor of Business focused in Management and was previously Head of Business Services at Regional Australia Bank.

PERFORMANCE

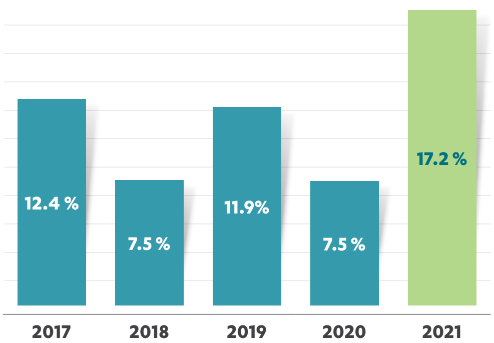
To be financially sustainable allowing delivery of greater value to members into the future.

PERFORMANCE SUMMARY

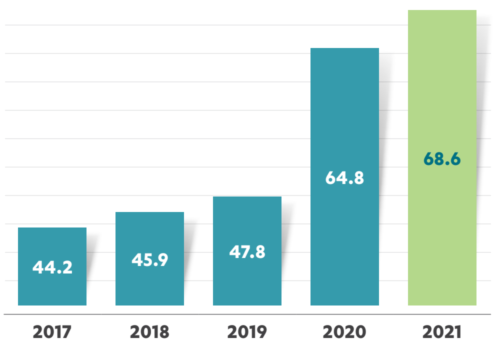
GOAL: TO BE FINANCIALLY SUSTAINABLE ALLOWING DELIVERY OF GREATER VALUE TO MEMBERS INTO THE FUTURE.

RESULT: ACHIEVED

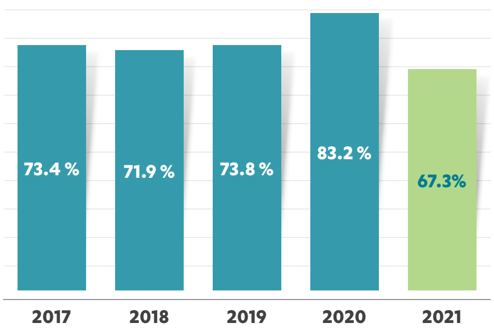
LOAN GROWTH (%)



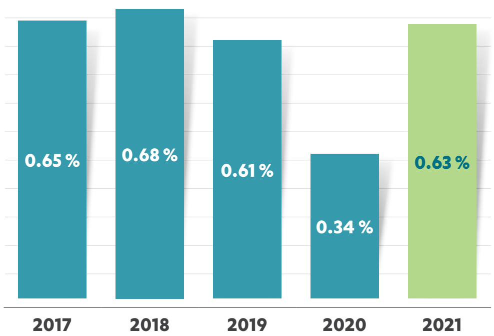
REVENUE ($M)



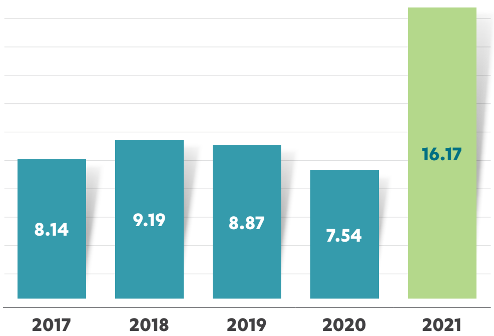
COST TO INCOME (%)



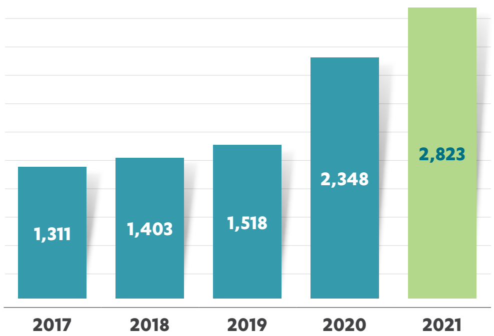
ROA (%)



NET PROFIT AFTER TAX ($M)



TOTAL ASSETS ($M)



CORPORATE GOVERNANCE STATEMENT

CREATING VALUE THROUGH STRONG CORPORATE GOVERNANCE

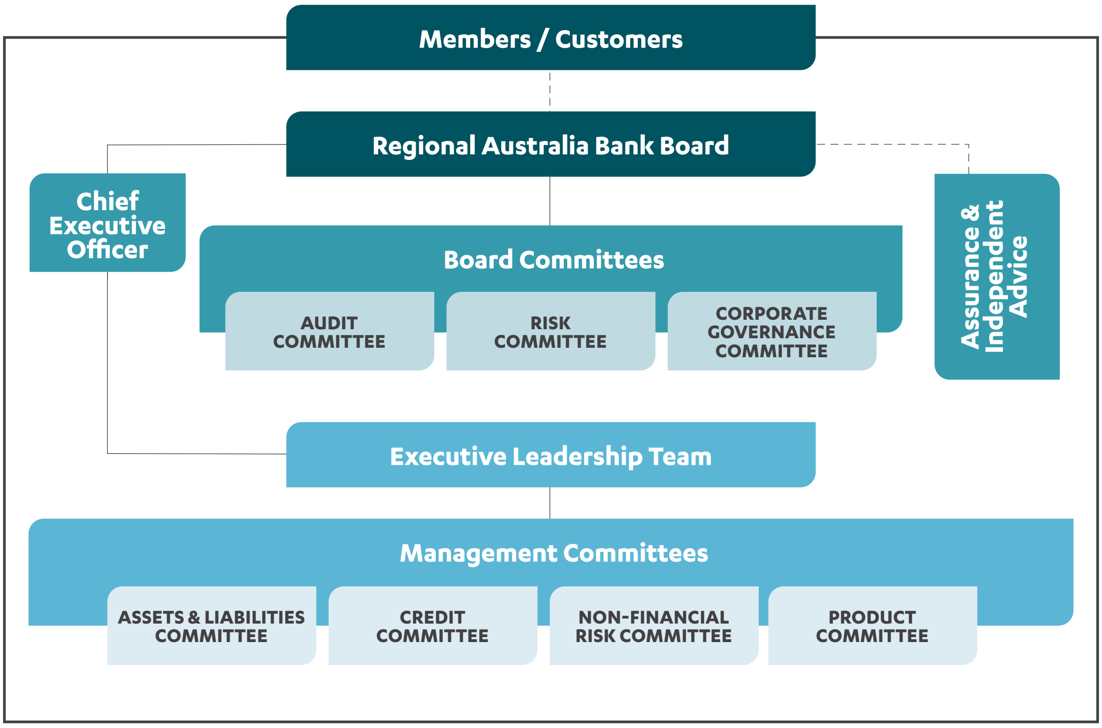
Regional Australia Bank is committed to continually improving its governance practices to ensure the sustainability of its banking performance and long-term value to its communities, members, and employees.

As a fundamental element of Regional Australia Bank's culture and business operations, the Corporate Governance Framework guides effective decision making across all aspects of the business. To achieve this, the Board has implemented a corporate governance framework that is designed to assist with achieving its strategic plan, whilst ensuring a clear structure of oversight of key controls and effective leadership.

The Board, and each employee, have a responsibility for upholding Regional Australia Bank's values and behaviours which underpin operational activities, provide transparency and protect members' interests: Integrity, Respect, and Fairness. These values embrace Regional Australia Bank's governance principles and assist with ensuring behaviours and practices are appropriate and there is a strong risk culture in place.

The Board ensures effective control of the corporate governance framework through effective delegation, risk management and a system of assurance regarding financial and non-financial reporting. Regional Australia Bank's Corporate Governance Framework is designed as follows:

Corporate governance framework:



MANAGEMENT AND OVERSIGHT

The Regional Australia Bank Board guides the strategic direction of the bank and represents the interest of all members by ensuring that the foundations for management and oversight are established, operating effectively, and creating sustainable value. This involves having the right strategy, an appropriate culture, and a well embedded risk appetite and governance structure.

Role of the Board

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

Key elements of the Board's role are described as follows:

- approve and guide the strategic direction, major initiatives and objectives of Regional Australia Bank and monitor the implementation of those strategies and objectives;
- monitor financial performance and maintain a direct and ongoing dialogue with Regional Australia Bank's external and internal auditors;
- review Regional Australia Bank's risk appetite, risk policies and risk management strategy;
- monitor compliance with regulatory and statutory requirements and the implementation of associated policies;
- approve and monitor Regional Australia Bank's values, culture, reputation and ethical standards;
- set the performance standards for the Chief Executive Officer (CEO) and monitor ongoing performance;
- undertake Board and director performance assessments; and
- participate in member engagement and events.

In addition, the Board Chairman is always available to meet with key regulators.

The Board carries out its role in accordance with the values of Integrity, Respect, and Fairness. To ensure these values are adhered to, the Board has established guidelines designed around skills, knowledge, experience and values for the nomination and selection of directors and for the operation of the Board.

Meetings of the Board are held regularly. Board committees meet as often as required (no less than four times per year) to carry out their respective functions to support and advise the Board.

Importantly, the Board has delegated day-to-day management of Regional Australia Bank to the CEO. The scope of this delegated authority is clearly documented to ensure effective oversight with appropriate empowerment, accountability, and performance.

Review of Performance

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

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

The Board approves the performance objectives and measures of the CEO, with the Chairman undertaking a bi-annual review of the CEO's performance.
The CEO has a similar structured process which periodically evaluates the performance of each individual Executive Manager.

For the purposes of the Banking Executive Accountability Regime (BEAR), Regional Australia Bank has registered all directors, the CEO and Executive Management as 'Accountable Persons' with the Australian Prudential Regulation Authority (APRA). The BEAR is a performance and accountability regime and has strengthened clarity on accountabilities and decision-making processes across the bank.

STRUCTURING THE BOARD TO ADD VALUE

Board Skills, Experience and Diversity

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

Each year the Board reviews its collective skills against the Board's skills and experience requirements. The election of directors is determined in accordance with Regional Australia Bank's Constitution, and other statutory and regulatory requirements. Directors are either member elected or are appointed by the Board, allowing the Board the flexibility to source appropriate skills and expertise onto the Board when necessary.

The Board Corporate Governance Committee has been delegated responsibility to review and make recommendations to the Board regarding Board diversity, and to assist in the director nomination process.

89% **of directors have specialist or detailed knowledge of working in a regional context**

55% **of directors have specialist or detailed knowledge in a financial institution**

22% **of the directors are female**

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

	Board Experience, Skills and Diversity	
Experience	Financial	
	Legal and Compliance	
	Banking	
	Working in a Regional Context	
	Experience as a Director	
Skills	Leadership	
	Strategy	
	Risk Management	
	Digitisation	
	Governance	
Tenure	12 years and more	6
	7 to 11 years	2
	3 to 6 years	1
	Less than 3 years	0
Diversity	Female (2 out of 9)	22%
	Male (7 out of 9)	78%
	Composition 7 member elected 2 board appointed	

The Board requires that each of its directors and executive management undertake fit and proper and BEAR accountability character assessments to ensure compliance with APRA's Prudential Standard CPS 520 Fit and Proper as well as the BEAR regime requirements.

Details of the directors' experience and qualifications are set out in the directors report.

Board Committees

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

Each of the Board committees has its own terms of reference that sets out its purposes, authority, duties, and responsibilities.

The following table provides an overview of the responsibilities between the Board Committees.

Board Committee	Terms Of Reference
Audit Committee	The Board Audit Committee assists the Board in fulfilling its statutory and fiduciary duties. The committee provides an objective review of the reporting of financial information and the internal control environment, including an understanding of the financial, tax and accounting risks. The Internal Auditor and the External Auditor are both invited to attend meetings at the discretion of the committee.
Corporate Governance Committee	The Board Corporate Governance Committee assists the Board in ensuring that Regional Australia Bank operates in accordance with a clear, consistent and effective governance framework that conforms to Regional Australia Bank's legal and governance obligations and the required standards of corporate behaviour. The committee monitors legal and regulatory developments relating to the governance framework to ensure it is operating against best practice. The Board Corporate Governance Committee also undertakes the responsibility of assessing all persons, including existing directors, prior to their appointment or election as a director as to their fitness and propriety and their BEAR regime accountability. The committee makes recommendations to the Board on candidates for appointment as director. The Board Corporate Governance Committee also comprises the Board Remuneration Committee. This committee makes recommendations to the Board on the remuneration to be paid to directors, the CEO and Executive Managers, to ensure it remains market-competitive and adheres to legislative and prudential requirements.
Risk Committee	The Board Risk Committee assists the Board in ensuring there is an efficient and effective risk framework to bring the transparency, focus and independent judgement to oversee Regional Australia Bank's operations. This involves evaluating the adequacy and effectiveness of Regional Australia Bank's risk management framework, risk appetite and the appropriateness of the risk culture.

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

Directors' Independence

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

The Board assesses independence annually in accordance with its Governance Policy, requiring each director to disclose all information that could reasonably be considered to influence their capacity to act as an independent director.

89% of the Board are independent directors

Access to Independent Information and Advice

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

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

ACTING ETHICALLY AND RESPONSIBLY – OUR GUIDING PRINCIPLES

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

Code of Conduct

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

Conflict of Interest

In accordance with the Corporations Act 2001 and Regional Australia Bank's Constitution and Conflict of Interest Policy, each director must ensure that no action or decision is taken that places their interest in front of the interests of Regional Australia Bank. Directors and Executive Management are required to disclose to the Board any material matter (whether actual or potential) in which they may have an interest.

The Board has established a process for the handling of actual or potential conflicts of interest with respect to the activities or decision-making responsibilities of Regional Australia Bank's directors and Executive Management. Directors are also given the opportunity to declare any interest as a standing item in each of the respective Board committees and Board meeting agendas.

Management Delegation

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

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

Whistle-blower Protection

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

RESPONSIBLE REMUNERATION

The Board, through the oversight of the Board Corporate Governance Committee, is responsible for remuneration practices that assist in attracting and retaining Executive Management and other individuals who are critical to Regional Australia Bank's success.

It is Regional Australia Bank's objective to provide maximum member benefit from the retention of a high-quality Board and leadership team by remunerating fairly and responsibly by reference to prevailing market benchmarks and performance.

In accordance with the requirements of APRA's Prudential Standard CPS 510 on governance, Regional Australia Bank has a structure for managing approval of remuneration for Board, the CEO, and Executive Management.

The Board regularly undertakes an independent review of remuneration to ensure that remuneration practices are prudent and consistent with competitive market practices.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

SOCIAL IMPACT AND SUSTAINABILITY

The Board of Regional Australia Bank is committed to ensuring that a sustainable business is a good business. This is achieved through long-term decisions to serve members/customers well and help our communities grow well into the future.

The Board has implemented an Environmental Policy Framework that focuses on the commitment to act as a responsible partner to all the bank's stakeholders and to ensure that Regional Australia Bank manages its business in an environmentally sustainable manner.

This framework summarises Regional Australia Bank's position on environmental matters and looks to identify, address and manage the risks that emerge through the bank's operations and business relationships.

RECOGNISE AND MANAGE RISK

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

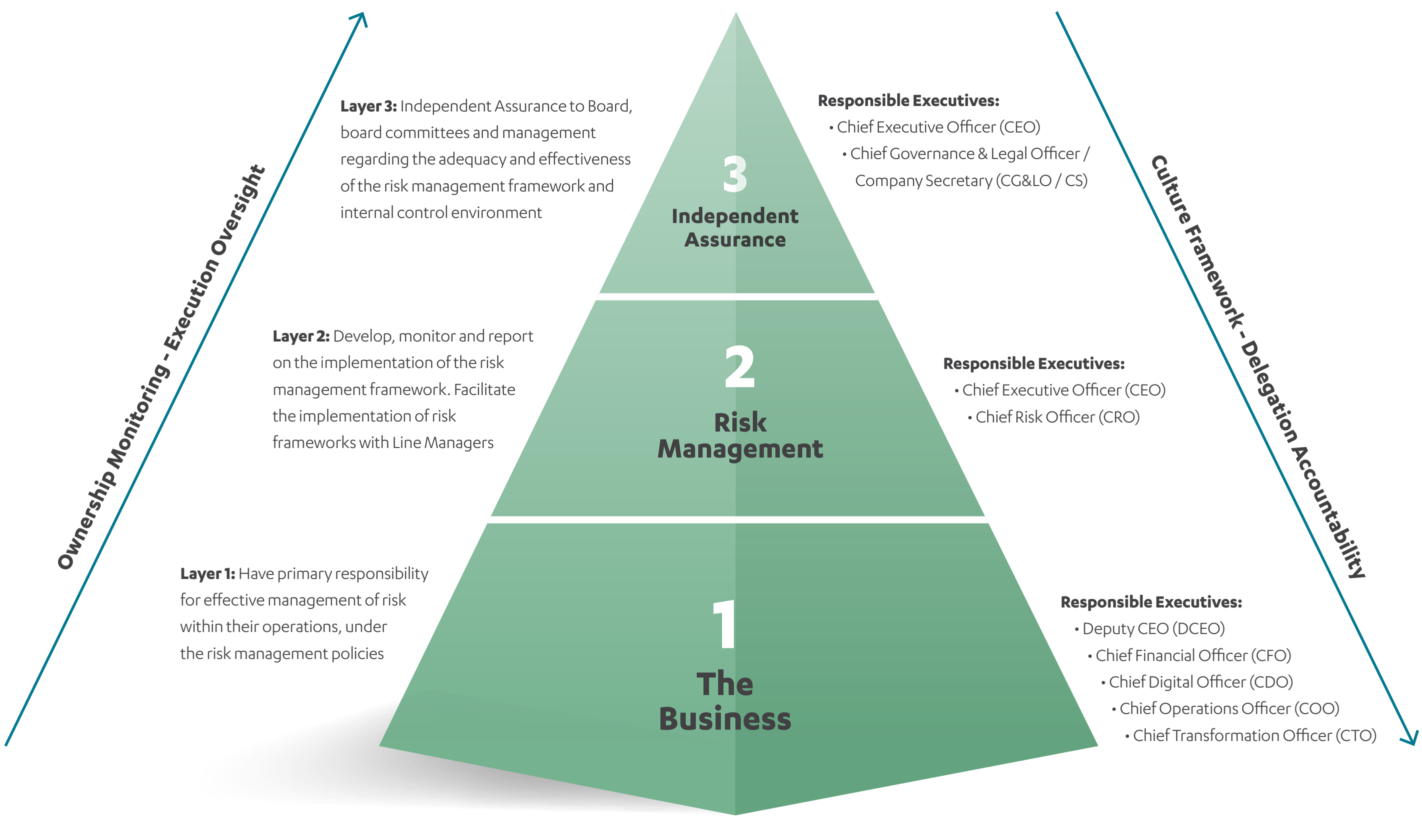
Each Executive Manager has clearly outlined accountabilities in their respective roles and are accountable to the CEO that the systems of risk management and internal controls under their respective business areas operate effectively to manage the risks of Regional Australia Bank.

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

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

The approach of the Three Lines of Defence operating structure is outlined in the diagram below:

3 Lines of Defence, Risk Governance Model



FINANCIAL
REPORT
2020 – 2021

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Regional Australia Bank Ltd ("the Company"), the CMG Funding Trust No.1 , and the MTG HCCU Trust Repo Series No.1 (together "the Trusts") for the financial year ended 30 June 2021 and the auditor's report.

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

The Trusts are both Special Purpose Vehicles deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2021 (together referred to as "the Group").

Principal Activities

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

Results

The profit of the Company for the year before income tax is $22.43mil (2020: $10.89mil) representing a strong result in a challenging economic environment. These results include a reduced level of impairment provisions from the COVID-19 pandemic and addition of a natural disaster and climate impairment provision.

Directors' Qualifications, Experience and Special Responsibilities

At the date of this report, the Board comprises nine (9) Non-Executive Directors.
The names of the Directors in office at any time during or since the end of the year, together with details of their qualifications, experience and special responsibilities are as follows:

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

DIRECTORS' REPORT Continued

Information on Board and Committee Meetings for the financial year ended 30 June 2021

	Board		Corporate Governance		Audit		Risk	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Olrich	9	9	4	4	4	4	4	3
Alison Sheridan	9	9	4	4	-	-	4	4
Geoff Thompson	9	8	-	-	4	4	2	2
Michael Fenech	9	9	3	3	4	4	2	2
Brian Goodall	9	9	4	3	-	-	2	2
Kate James	9	9	4	4	-	-	2	2
Allan Gordon	9	9	-	-	4	4	-	-
David Johnson	9	8	-	-	2	2	4	3
Neville Parsons	9	9	4	4	-	-	2	2

Information on Company Secretary

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

Directors' Benefits

No Director has received or become entitled to receive, during, or since the end of the financial year, a benefit because of a contract made by the Company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest, other than that disclosed in Note E2 of the financial report.

Directors, Officers or Auditors Indemnity

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

No cover has been provided for the benefit of the auditors of the Company.

Since the end of the previous financial year, the Company has not indemnified or made a relevant agreement for indemnifying, against a liability, any person who is or has been an officer or auditor of the Group.

Significant Changes in State of Affairs

COVID-19 continues to impact the Company's operations, many of the Company's members, counterparties and third parties suppliers, as well as the broader economy.

In response to COVID-19, the Federal Government have legislated a number of economic stimulus measures for individuals, businesses and the banking sector to support Australia through the unprecedented societal and economic impact of the pandemic.
Regional Australia Bank and its members have received support from some of these programs including:
• Participating in the Government's Small and Medium Enterprise (SME) Guarantee Scheme. This initiative sees the Federal Government guarantee 50 per cent of new loans issued by eligible lenders to SMEs, enabling small businesses to access additional funding to manage the impact of Coronavirus.
• Access to the Reserve Bank Term Funding Facility (TFF). Under the TFF, the Reserve Bank offered three-year funding to authorised deposit-taking institutions (ADIs) through repurchase transactions at a fixed rate of 10 basis points per annum.
• Cash flow boost to employers, the Company has received $0 through this measure.

In order to mitigate the spread of the pandemic, the Australian, State and Territory Governments have implemented a range of material restrictions on businesses, venues, travel, movement and gatherings of people. Whilst these measures have impacted the operations of the Company, there have been no COVID-19 related closure of branches during the year.

In response to the COVID-19 pandemic, the Company has provided support to its members by implementing a range of initiatives, including the granting of three months loan repayment deferrals and interest only payment options to members impacted by COVID-19.

In response to the COVID-19 pandemic, the Company enacted its Pandemic Plan as part of the overall Business Continuity Plan. Some of the measures put in place include:
• Front-office staff remaining in branches with social distancing measures being enforced. Additional physical barriers are also being implemented as extra precautions.
• Back-office staff are working from home with each department establishing its own on-site and off-site rosters. Regular touch points with their Manager have also been scheduled.
• The Service Support Centre team has been split to manage any potential for the spread of any contagion.
There were other government economic stimulus programs such as the $130 billion Job Keeper payment effective until April 2021, which was not taken up by the Company.

As the government has declared Banking as an essential service, the Company has remained open throughout the locked down period. All staff were retained during this difficult period.

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

Significant Events After the Balance Date

The chief operating decision maker, Mr Kevin Dupé retired from the position as Chief Executive of the Group on 1 July 2021 and replacement Mr David Heine was appointed Chief Executive Officer of the Group effective 1 July 2021.

There have been no further significant events occurring after balance date which may affect the company's operations or results of those operations.

DIRECTORS' REPORT Continued

Likely Developments and Expected Results

The Company expects the COVID-19 pandemic to continue to have some impact on the financial performance through changes to market demand for credit or affordability challenges for consumers wishing to borrow, among other potentially adverse effects. At this time, however, it is not possible to estimate how long it will take to control the spread of the virus, vaccination programs to rollout and the longer term effects the COVID-19 pandemic could have on the economy and the Company's business. The extent to which the COVID-19 pandemic impacts the Company’s members, business, financial performance and financial condition will depend on future developments which remain evolving and uncertain.

The volatility in economic activity resulting from the COVID-19 pandemic has affected, and will continue to affect, demand for the Company’s products and services. The Company expects the COVID-19 pandemic may result in increased impairments, defaults and write-offs as some members face challenges in meeting their repayments or have uncertainty in maintaining continuing employment. While current levels of impairment provision appears adequate at this point in time, the full impact of the pandemic remains uncertain. However, the Company is well capitalised and holds liquidity in excess of the prudential minimum.

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

(i) the operations of the Group;

(ii) the results of those operations; or

(iii) the state of affairs of the Company.

in the financial years subsequent to this financial year.

Rounding

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

Non-Audit Services

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

KPMG received or are due to receive the following amounts for the provision of non-audit services for the year ended 30 June 2021:

	$
Taxation Services	23,200
Total	**23,200**

Auditor's Independence Declaration

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

Public Prudential Disclosures

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

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

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

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

Graham Olrich
Director

Michael Fenech
Director

Date: 30 September 2021

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

To the Directors of Regional Australia Bank Ltd

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

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

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

KPMG

Nic Buchanan

Partner

Sydney

30 September 2021

Financial Statements

Statements of Profit or Loss and Other Comprehensive Income
Statements of Financial Position
Statements of Changes in Equity
Statements of Cash Flows

A About this Report	**B** Our Business Performance	**C** Banking Activities and Risk Management	**D** Capital Management	**E** Employee Benefits	**F** Other Disclosures
	B1 Income and Interest Expense	**C1** Deposits	**D1** Capital Management	**E1** Employee Benefits	**F1** Remuneration of Auditors
	B2 Tax	**C2** Loans and Advances to Members	**D2** Redeemable Member Shares	**E2** Related Party Disclosures	**F2** Leases
	B3 Cash and Cash Equivalents	**C3** Other Financial Assets	**D3** Reserves		**F3** Commitments
		C4 Investments at Amortised Cost			**F4** Contingent Liabilities
		C5 Financial Risk Management			**F5** Land and Buildings
		C6 Trade and Other Receivables			**F6** Subsequent Events
		C7 Trade and Other Payables			
		C8 Term Funding Facility			

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Notes	Consolidated 2021 $'000	Consolidated 2020 $'000	Parent 2021 $'000	Parent 2020 $'000
Interest income using effective interest method	B1	73,326	80,918	78,503	85,830
Interest expense using effective interest method	B1	(12,999)	(25,126)	(27,842)	(35,074)
Net interest income		**60,327**	**55,792**	**50,662**	**50,756**
Non-interest income	B1	8,280	8,959	17,786	13,678
Net operating income		**68,607**	**64,751**	**68,448**	**64,434**
Loan impairment release/(expense)	C2 b)	876	(3,344)	876	(3,344)
Employee benefits expense	E1 a)	(22,760)	(26,318)	(22,760)	(26,318)
Occupancy expense		(3,176)	(2,920)	(3,176)	(2,920)
Depreciation and amortisation expense		(2,128)	(2,001)	(2,128)	(2,001)
Information technology and communication expense		(6,731)	(7,257)	(6,731)	(7,257)
Member transaction costs		(5,765)	(5,509)	(5,765)	(5,509)
Other operating expenses		(6,495)	(6,515)	(6,336)	(6,198)
Total operating expenses		(46,178)	(53,864)	(46,020)	(53,547)
Profit before income tax		**22,429**	**10,887**	**22,429**	**10,887**
Income tax expense	B2 a)	(6,261)	(3,346)	(6,261)	(3,346)
Net profit after tax attributable to members		**16,168**	**7,541**	**16,168**	**7,541**
Other comprehensive income					
Items that will not be reclassified to profit and loss v6					
Revaluation of Other Financial Assets		1	-	1	-
		1	-	1	-
Items that will be reclassified to profit and loss upon realisation					
Revaluation of Land and Buildings		(199)	-	(199)	-
		(199)	-	(199)	-
Other comprehensive income for the year, net of tax		**(198)**	**-**	**(198)**	**-**
Total comprehensive income for the year		**15,970**	**7,541**	**15,970**	**7,541**

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

STATEMENTS OF FINANCIAL POSITION
As at 30 June 2021

		Consolidated		Parent	
	Notes	2021 $'000	2020 $'000	2021 $'000	2020 $'000
ASSETS					
Cash and cash equivalents	B3	239,697	128,887	211,518	90,093
Investments at amortised cost	C4	343,358	300,004	343,358	300,004
Loans, advances and notes from securitisation trust at amortised cost	C2	2,218,794	1,893,195	2,733,794	2,322,995
Trade and other receivables	C6	1,673	3,934	3,093	5,225
Other Financial Assets	C3	2,554	2,329	2,554	2,329
Land and buildings	F5	4,903	7,520	4,903	7,520
Plant and equipment		2,742	3,567	2,742	3,567
Intangible Assets - computer software		1,418	1,552	1,418	1,552
Right of use assets	F2	4,928	4,126	4,928	4,126
Current Tax assets		-	173	-	173
Deferred tax assets	B2 b)	3,039	3,365	3,039	3,365
Total Assets		**2,823,107**	**2,348,652**	**3,311,347**	**2,740,949**
LIABILITIES					
Deposits	C1	2,394,363	2,146,122	2,394,363	2,146,122
Trade and other payables	C7	14,414	20,125	14,414	20,148
Term Funding Facility	C8	212,958	-	212,958	-
Lease Liabilities	F2	4,839	4,009	4,839	4,009
Current tax liabilities		2,101	-	2,101	-
Employee Benefits	E1 b)	4,430	4,333	4,430	4,333
Provisions		129	160	129	160
Other Borrowings	C2 h)	-	-	488,240	392,274
Total Liabilities		**2,633,234**	**2,174,749**	**3,121,474**	**2,567,046**
Net Assets		**189,873**	**173,903**	**189,873**	**173,903**
EQUITY					
Redeemable member shares	D2	1,165	1,192	1,165	1,192
Reserves	D3	1,256	2,989	1,256	2,989
Retained earnings		139,454	121,724	139,454	121,724
Contributed Equity		47,998	47,998	47,998	47,998
Total Equity		**189,873**	**173,903**	**189,873**	**173,903**

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

STATEMENTS OF CHANGES IN EQUITY
As at 30 June 2021

Consolidated

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2019	8,451	708	1,454	114,207	124,820
Total Net profit after tax attributable to members	-	-	-	7,540	7,540
Transfer of reserves on merger of HCCU	39,547	461	1,535	-	41,543
Transfer from capital account on (redemption)/creation of shares	-	23	-	(23)	-
Balance at 30 June 2020	**47,998**	**1,192**	**2,989**	**121,724**	**173,903**

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2020	47,998	1,192	2,989	121,724	173,903
Total Net profit after tax attributable to members	-	-	-	16,168	16,168
Revaluation of Other Financial Assets	-	-	1	-	1
Revaluation of Property, Plant and Equipment	-	-	(1,734)	1,535	(199)
Transfer from capital account on (redemption)/creation of shares	-	(27)	-	27	-
Balance at 30 June 2021	**47,998**	**1,165**	**1,256**	**139,454**	**189,873**

Parent

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2019	8,451	708	1,454	114,207	124,820
Total Net profit after tax attributable to members	-	-	-	7,540	7,540
Revaluation of Other Financial Assets	-	-	-	-	-
Transfer of reserves on merger of HCCU	39,547	461	1,536	-	41,543
Transfer from capital account on (redemption)/creation of shares	-	23	-	(23)	-
Balance at 30 June 2020	**47,998**	**1,192**	**2,989**	**121,724**	**173,903**

	Contributed Equity	Member Shares	Other Reserves	Retained Earnings	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2020	47,998	1,192	2,989	121,724	173,903
Total Net profit after tax attributable to members	-	-	-	16,168	16,168
Revaluation of Other Financial Assets	-	-	1	-	1
Revaluation of Property, Plant and Equipment	-	-	(1,734)	1,535	(199)
Transfer from capital account on (redemption)/creation of shares	-	(27)	-	27	-
Balance at 30 June 2021	**47,998**	**1,165**	**1,256**	**139,454**	**189,873**

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

STATEMENTS OF CASH FLOWS
For the Year Ended 30 June 2021

		Consolidated		Parent	
	Notes	**2021**	**2020**	**2021**	**2020**
CASH FLOW FROM OPERATING ACTIVITIES		**$'000**	**$'000**	**$'000**	**$'000**
Interest received		73,347	81,949	77,803	87,069
Dividends received		-	31	-	31
Fees and commissions received		10,364	6,607	7,831	7,803
Other income		486	418	12,396	2,995
Interest paid		(12,999)	(25,364)	(27,266)	(35,312)
Payments to suppliers and employees		(51,342)	(48,065)	(51,060)	(54,315)
Income taxes paid		(3,661)	(4,313)	(3,661)	(4,313)
(Increase)/Decrease in operating assets					
Net increase in member loans		(323,294)	(137,649)	(408,494)	(339,749)
Increase/(Decrease) in operating liabilities					
Net increase in member deposits		248,243	190,978	248,245	190,978
Net increase in term funding facility		212,958	-	212,958	-
Net increase in borrowings (securitisation)		-	-	95,966	176,479
Net cash provided (used) by operating activities	B3 c)	**154,102**	**64,592**	**164,718**	**31,666**
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds/(payments) for investments at amortised cost		(42,480)	(65,253)	(42,480)	(65,253)
Proceeds from sale of property, plant and equipment		2,222	1,523	2,222	1,523
Payments for property, plant and equipment		(324)	(3,292)	(324)	(3,292)
Purchase of intangible assets		(867)	(1,194)	(867)	(1,194)
Net cash (used in) investing activities		**(41,449)**	**(68,216)**	**(41,449)**	**(68,216)**
CASH FLOW FROM FINANCING ACTIVITIES					
Payment of lease liabilities		(1,844)	(1,168)	(1,844)	(1,168)
Net cash (used in) financing activities		**(1,844)**	**(1,168)**	**(1,844)**	**(1,168)**
Total net increase (decrease) in cash held		110,809	(4,792)	121,425	(37,718)
Cash at the beginning of year		128,888	65,750	90,093	59,881
Cash received on transfer of business			67,930		67,930
Cash and cash equivalents at the end of year	B3 a)	**239,697**	**128,888**	**211,518**	**90,093**

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

A ABOUT THIS REPORT

Corporate Information

The financial statements of Regional Australia Bank Ltd ("the Company") for the year ended 30 June 2021 were authorised for issuance in accordance with a resolution of the Directors on 30 September 2021.

The consolidated financial statements as at and for the year ended 30 June 2021 comprise Regional Australia Bank Ltd ("the Company"), the CMG Funding Trust No.1 ("the Trusts"), and the MTG HCCU Trust Repo Series No.1 ("the Trusts"), both Special Purpose Vehicles deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2021 (together referred to as "the Group"). The Group is a for-profit entity and primarily is involved in the provision of financial products, services and associated activities to Members. The members are the owners of the Company.

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

The Company is a public company registered under the Corporations Act 2001 (Cth) limited by shares. The Trusts are both Special Purpose Vehicles deemed under the Accounting Standards to be controlled by the Company for the year ended 30 June 2021 (together referred to as "the Group").

The principal activities of the Group are the provision of retail and commercial financial services to customers in the form of taking deposits and giving financial accommodation as prescribed by Regional Australia Bank's Constitution.

Basis of Preparation

The consolidated financial statements of the Company are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have been prepared on a historical cost basis, except for land and buildings and other financial assets, which have been measured at fair value.

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

Statement of Compliance with IFRS

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

Basis of Consolidation

The consolidated financial statements include those of the Company and Special Purpose Vehicles (the CMG Funding Trust No. 1, and the MTG HCCU Trust Repo Series No.1, the securitisation trusts) which relates to the issuance of residential mortgage-backed securities (RMBS). RMBS are issued by the securitisation trusts and held by the Company for entering into potential repurchase agreement with the Reserve Bank of Australia for short term funding requirements. The securitisation trusts are consolidated, as the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Statements of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statements of Changes in Equity and Statements of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit. The MTG HCCU Trust Repo Series No.1 ceased to operate on 29 July 2021.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as Mr Kevin Dupé, who retired from the position of Chief Executive Officer of the Group on 1 July 2021. Replacement Mr David Heine was appointed Chief Executive Officer of the Group from 1 July 2021.

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

Accounting Policies

(i) Financial Assets

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

A financial asset is derecognised where:

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

(ii) Impairment of non financial assets

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

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

A ABOUT THIS REPORT (Continued)

(iii) Financial instruments

Classification and measurement of financial instruments

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

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

(c) Trade and other receivables are classified at amortised cost as they are held to collect under the Group's business model.

(d) Other Financial assets are equity securities that represent investments the Group intends to hold for long term strategic purposes. As permitted by AASB 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Impairment of financial assets recorded at amortised cost

For investments recorded at amortised cost AASB 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognitions ("Stage 1"), and lifetime expected credit losses for financial instruments for which the credit risk has significantly increased since initial recognition ("Stage 2") or which are credit impaired ("Stage 3").

Calculation of expected credit losses (ECL)

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

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

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

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

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

Determining a significant increase in credit Risk (SICR)

The Group assess when a significant increase in credit risk has occurred using qualitative and quantitative information. Information used included internal risk grade indicators, hardship applications and loan segment information. As a backstop, financial instruments that are 30 days or more past due are treated as "Stage 2". Exposures move back to "Stage 1" once they no longer meet the criteria for a significant increase in credit risk.

Definition of default

The Group uses the definition of default aligned to the internal credit risk management framework. Default is generally defined as the point in time when the borrower is unlikely to meet its credit obligations in full, without recourse by the Consolidated Entity to take realisation of collateral; or the borrower is 90 days or more past due. When this occurs the loan is placed in stage 3 and a specific provision (or impairment) is estimated against the loan. This provision is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's effective interest rate. For impaired financial assets drawn and undrawn components, expected credit loss also reflect any credit losses related to the portfolio of the loan commitment that is expect to be drawn down over the remaining life of the instrument. When a financial asset is credit impaired, interest ceases to be recognised on the regular accrual basis, which accrues income based on the gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortised cost of the asset, which is the gross carrying amount less the related loan loss provision. The best estimate of a loan loss is calculated using the weighted average of the shortfall gross carrying amount minus discounted expected future cash flow. Cash flows from collateral are included in the measurement of the expected credit losses of the related financial asset. The estimation of future cash flows are subject to significant estimation, uncertainty and assumptions.

Incorporation of Forward Looking information

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

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

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

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

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

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

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

A ABOUT THIS REPORT (Continued)

(iv) Leases

At inception of a contract the Group assesses whether a contract is, or contains a lease based on the definition of a lease, as explained in Note F2.

As a lessee, the Group leases assets including property and equipment. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most of these leases - i.e. these leases are on-balance sheet.

At Commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

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

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

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method.

The group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Critical Accounting Estimates and Judgements

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

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

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

Further information on specific judgements, assumptions made and estimates applied, are contained within the notes to the financial statements. These sections also address the impact of COVID-19 on key estimates where applicable.

New accounting standards and interpretations not yet adopted

There are no new standards that have not yet been adopted which are expected to have a significant impact on the Group.

B OUR BUSINESS PERFORMANCE

B1 INCOME AND INTEREST EXPENSE

(i) Interest income and expense

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

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest Income using the effective interest method				
Cash and cash equivalents	343	1,078	343	1,078
Investments at Amortised Cost	1,731	3,422	1,731	3,422
Loans and advances to members	70,861	75,846	70,359	75,600
Interest income accrued on impaired financial assets	202	309	202	309
Other interest income	189	263	62	146
Interest income on notes receivable from securitisation trust	-	-	5,807	5,275
Total interest income using the effective interest method	**73,326**	**80,918**	**78,503**	**85,830**
Interest Expense using the effective interest method				
Deposits	12,850	25,126	12,850	25,126
Other Borrowings	149	-	14,992	9,948
Total interest expense using the effective interest method	**12,999**	**25,126**	**27,842**	**35,074**
Net Interest Income	**60,327**	**55,792**	**50,661**	**50,755**

(ii) Fees and commission income

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

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

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

Insurance commissions are recognised once the performance obligation is satisfied. Insurance commissions which are earned on an on-going basis after an initial successful customer referral are required to be recognised as a contract asset under AASB 15, Note C3. The Group's performance obligations are to introduce or refer successful insurance policy applications. The performance obligations are therefore satisfied at the point in time the policy is placed by the provider. Cash is received each month based on the premium paid by the client in the previous month. Trail ceases once the policy is terminated.

	Consolidated 2021	Consolidated 2020	Parent 2021	Parent 2020
Non-Interest Income				
Loan fees	1,865	1,957	1,893	1,782
Transaction fees	3,124	3,437	2,808	3,437
Insurance commissions	1,078	1,248	1,078	1,248
Payment Systems Income	1,726	1,868	1,726	1,868
Write-offs recovered	267	242	267	242
Other non-interest income	220	207	10,015	5,101
Total non-interest income	**8,280**	**8,959**	**17,786**	**13,678**
Total Net Operating Income	**68,607**	**64,751**	**68,448**	**64,434**

B2 TAX

a) Income Tax

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

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

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

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

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

	Consolidated		**Parent**	
	2021	**2020**	**2021**	**2020**
Numerical reconciliation of income tax expense to prima facie tax payable:	**$'000**	**$'000**	**$'000**	**$'000**
Profit from continuing operations before income tax expense	22,429	10,887	22,429	10,887
Prima facie tax calculated at 30% payable on the profit (2020: 30%)	6,729	3,266	6,729	3,266
Add tax effect of:				
Imputation credits	(0)	(9)	(0)	(9)
Sundry items	(158)	14	(158)	14
(Over)/Under-provision for income tax in prior year	(310)	75	(310)	75
Income tax attributable to profit	**6,261**	**3,346**	**6,261**	**3,346**
Current tax charge	5,935	3,806	5,935	3,806
Deferred Tax	326	(460)	326	(460)
	6,261	**3,346**	**6,261**	**3,346**

b) Deferred Tax Assets and Liabilities

The balance comprises temporary differences attributable to:				
Deferred tax assets				
Plant, property and equipment	362	320	362	320
Loan provisions	1,787	2,132	1,787	2,132
Employee leave benefits	1,329	1,300	1,329	1,300
Accrued expenses	47	40	47	40
Other	39	48	39	48
	3,563	3,840	3,563	3,840
Deferred tax liabilities				
Other Financial Asset	(169)	(168)	(169)	(168)
Property Plant and Equipment	-	-	-	-
Other	(356)	(307)	(356)	(307)
	(524)	(475)	(524)	(475)
Net deferred tax assets	3,039	3,365	3,039	3,365
Movements:				
Opening balance at 1 July	3,365	2,066	3,365	2,066
Credited/(charged) to the income statement	(326)	1,299	(326)	1,299
Credited/(charged) to other comprehensive income	(0)	-	(0)	-
Closing balance at 30 June	3,038	3,365	3,038	3,365
Deferred tax assets to be recovered after more than 12 months	85	88	85	88
Deferred tax assets to be recovered within 12 months	3,478	3,752	3,478	3,752
	3,563	3,840	3,563	3,840
Deferred tax liabilities to be recovered after more than 12 months	-	-	-	-
Deferred tax liabilities to be recovered within 12 months	524	475	524	475
	524	475	524	475

c) Franking Account

The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30% (2020: 30%)	53,700	49,521	53,700	49,521
Franking credits that will arise from payment of income tax instalments as at the end of the financial year	3,661	4,166	3,661	4,166
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	-	13	-	13
Franking account balance for future reporting periods	**57,361**	**53,700**	**57,361**	**53,700**

B3 CASH AND CASH EQUIVALENTS

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

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

a) Parent and Consolidated Reconciliations of cash

For the purposes of the Statements of cash flows, cash includes cash on hand, cash equivalents and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the Statements of cash flows is reconciled to the related items in the Statements of financial position as follows:

	Consolidated		Parent	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Cash on hand and at bank	35,798	46,771	7,619	7,977
Short term deposits	203,899	82,116	203,899	82,116
Total cash and cash equivalents	**239,697**	**128,887**	**211,518**	**90,093**

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

b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statements of cash flows:
- customer deposits in and withdrawals from savings, money market and other deposit accounts;
- sales and purchases of maturing certificates of deposit; and
- provision of member loans and the repayment of such loans.

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

	Consolidated 2021	Consolidated 2020	Parent 2021	Parent 2020
Profit after income tax	16,168	7,541	16,168	7,541
Non-cash flows in profit after income tax:				
Net movement in revaluation of property, plant and equipment and investments	-	-	-	-
Amortisation of Intangible Assets	1,000	746	1,000	746
Amortisation of Debt Raising facility	-	-	-	-
Depreciation	3,000	2,678	3,000	2,678
Net movement in Provision for loan impairment	1,153	(3,066)	1,153	(3,066)
Changes in assets and liabilities:				
(Increase) in member loans (gross)	(324,447)	(134,583)	(409,647)	(336,683)
(Increase)/decrease in receivables	2,263	(341)	2,135	(1,078)
(Increase)/decrease in other assets	(3,093)	3,480	(3,093)	(2,621)
(Increase)/decrease in deferred tax asset	277	(324)	277	(324)
Increase/(decrease) in provisions	66	(345)	66	(345)
Increase/(decrease) in deposits	248,244	190,978	248,244	190,978
Increase/(decrease) in term funding facility	212,958	-	212,958	-
Increase/(decrease) in income taxes payable	2,274	(553)	2,274	(553)
Increase/(decrease) in deferred tax liability	(49)	208	(49)	208
Increase/(decrease) in other borrowings (securitisation)	-	-	95,966	176,479
Increase/(decrease) in trade and other payables	(5,712)	(1,827)	(5,734)	(2,294)
Net cash provided by (used in) operating activities	**154,102**	**64,592**	**164,718**	**31,666**

C BANKING ACTIVITIES AND RISK MANAGEMENT

C1 DEPOSITS

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

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

	Consolidated		Parent	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Member call deposits (including members' shares)	1,630,243	1,280,470	1,630,243	1,280,470
Member term deposits	764,120	865,652	764,120	865,652
Total Deposits	**2,394,363**	**2,146,122**	**2,394,363**	**2,146,122**
a) *Deposit Maturity analysis*				
At call	1,630,243	1,280,470	1,630,243	1,280,470
Not longer than 3 months	341,783	486,607	341,783	486,607
Longer than 3 months and not longer than 6 months	171,834	333,737	171,834	333,737
Longer than 6 months and not longer than 12 months	213,601	45,308	213,601	45,308
Longer than 12 months	36,902	-	36,902	-
	2,394,363	**2,146,122**	**2,394,363**	**2,146,122**

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST

Loans and advances to members, including loans to Key Management personnel, are assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, inclusive of loss allowance. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Note: At the parent level the receivables from the Securitised trust attributable to the Class B notes do not meet the "Solely Payments of Principal and Interest "criteria under AASB 9. These are therefore carried at Fair Value through Profit and Loss. As of 30 June 2021 the Fair Value of these receivables approximated the amortised cost value. These amounts eliminate on consolidation.

	Consolidated		Parent	
	2021	2020	2021	2020
Loans and advances to members	**$'000**	**$'000**	**$'000**	**$'000**
Personal Loans	60,769	71,500	60,769	71,500
Mortgage Loans	1,920,763	1,624,739	1,920,763	1,624,739
Commercial Loans	211,349	171,867	211,349	171,867
Revolving Credit	31,869	32,197	31,869	32,197
Total loans and advances	**2,224,750**	**1,900,303**	**2,224,750**	**1,900,303**
Total provision for impairment	(5,955)	(7,108)	(5,955)	(7,108)
Net loans and advances to members	**2,218,794**	**1,893,195**	**2,218,794**	**1,893,195**
Notes receivable from securitisation trusts at amortised cost	-	-	515,000	429,800
Net loans, advances and notes from securitisation trust	**2,218,794**	**1,893,195**	**2,733,794**	**2,322,995**

a) Impairment of loans and advances

The Group assesses the impairment of loans and advances on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Further details are included in Accounting polices iii) Financial Instruments.

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

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

Refer to Accounting polices iii) Financial Instruments for details on the Group's write-off policy.

C2 LOANS, ADVANCES AND NOTES FROM SECURITISATION TRUST (continued)

a) Impairment of loans and advances (continued)

The impact and unfolding developments of COVID-19 on the global and domestic economy, government, business and consumer impact and interplay remains uncertain, though diminished from the prior year. This change in uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates.

The following table summarises the key judgements and assumptions in relation to model inputs and interdependencies between these inputs, and highlights significant changes during the period.

Judgements and Assumptions	Details	Changes and considerations with COVID-19
Determining when a significant increase in credit risk SICR has occurred	The Group assess when SICR has occurred using qualitative and quantitative information. Information used included internal risk grade indicators, hardship applications and loan segment information. As a backstop, financial instruments that are 30 days or more past due are treated as credit risk SICR occurring.	Deferral of payments by customers in hardship arrangements is generally treated as an indication of a significant increase in credit risk (SICR), the deferral of payments under the current COVID-19 support packages for mortgages and business loans has not, in isolation, been treated as an indication of SICR. These packages are available to customers who have had income losses as a result of COVID-19 and who otherwise had up to date payment status prior to the onset of COVID-19. The relief packages allow for a deferral of payments for a short term. The volume of these COVID-19 support packages has significantly reduced as at balance date.
Adjustments to each scenario	Overall economic environment remained as a recessionary outlook from the continued uncertainty from the Covid-19 pandemic.	RBA Cash Rate: Falling from 0.75% (2019) to 0.25% (2020) and to 0.10% (2021) Unemployment: Change from 5% (2019) up to 9% (2020) and back to 5% (2021) Home Price Index: Change from 4% (2019) to 2% (2020) and up to 9% (2021) GDP Annual Change: from 2.5% (2019) down to -6% (2020) and back to 4% (2021)
Probability weighting of each scenario	Base scenario 60%, upside 10% and downside 30%	Adjustment to the underlying scenarios allows the probability weighting to each scenario to remain stable for the current year
Management adjustments	Reduction of the COVID-19 management overlay	Management COVID-19 overlay stress scenario reduced from prior unemployment rates projections above 10% and residential security values falling 30%.

Sensitivity Analysis

With the uncertainty from the impacts of COVID-19 the Group has undertaken additional forward looking sensitivity analysis of the credit portfolios to appropriately apply a prudent management adjustment overlay to the ECL allowance. The adjustment was measured based on results from stress testing the credit portfolios to measure changes in exposures and expected credit losses under projected stressed scenario conditions as a result of COVID-19 economic impacts. This provided a movement in arrears, default and collateral securities based on an alternative severe bad case. The applied adjustments were based on management judgment, historical experience, available information and economic outlook.

COVID-19 impacted facilities table (including off balance sheet exposures)

At 30 June 2021

	Facility Count	Facility Balance	Collateral	ECL Provision
		$,000	$,000	$,000
Stage 1	-	-	-	-
Stage 2	-	-	-	-
Stage 3	8	794	1,460	18
Total	8	794	1,460	18

At 30 June 2020

	Facility Count	Facility Balance	Collateral	ECL Provision
		$,000	$,000	$,000
Stage 1	609	121,056	250,378	387
Stage 2	9	2,215	3,215	12
Stage 3	22	4,171	8,845	-
Total	640	127,442	262,438	399

In addition, the Group has also undertaken additional forward looking sensitivity analysis of the credit portfolios in relation to natural disasters and climate uncertainty to appropriately apply a prudent management adjustment overlay to the ECL allowance. This adjustment was measured based on results from stress testing the credit portfolios to measure changes in exposures and expected credit losses under potential stressed scenarios driven by natural disasters such as flood, bushfires, drought and climate uncertainty. These stressed scenarios provided a movement in default and collateral securities based on an alternative severe bad case. The applied adjustments were based on management judgment, historical experience, available information and portfolio outlook.

As a result of the sensitivity analysis performed for both potential impacts from the continued COVID-19 pandemic and from potential natural disasters and climate uncertainty the ECL model was adjusted by a management overlay with regards to these measured stress testing results. A management overlay was applied to the ECL model with regards to these measured stress testing results.

	2021 $'000	2020 $'000
Reported probability weighted ECL	5,955	7,108
of which: Management COVID-19 overlay included in ECL	524	2,392
of which: Management natural disaster & climate uncertainty overlay included in ECL	750	-

The following sensitivity table shows the reported provision for ECL based on the probability weighted scenarios and what the provisions for ECL would be assuming a 100% weighting is applied to the base case scenario and to the downside scenario when all other assumptions are held constant as at 30 June 2021

	2021 $'000	2020 $'000
Reported probability weighted ECL	5,955	7,108
100% base scenario	5,806	6,970
100% downside scenario	6,542	7,644

The following table indicates the weightings applied by the Consolidated Entity at 30 June 2021

Model	Weighting
Base	**60%**
Upside	**10%**
Downside	**30%**

The modelled provision for ECL at 30 June 2021 is a probability weighted estimate of the Group's view of the forward looking distribution of potential outcomes. The base scenario has been adjusted with the latest view of available information regarding the various interplay of economic, societal and government impacts of COVID-19 and potential natural disaster and climate uncertainty impacts. The current view is weighted as a 60% probable outcome of a base scenario and a 30 % downside outcome.

C2 LOANS AND ADVANCES TO MEMBERS (Continued)

a) Impairment of loans and advances (Continued)

Provision for impairments on loans and advances to members

	Parent and Consolidated			
	Stage 1 12-mth ECL Collective Provision $'000	Stage 2 Lifetime ECL not credit impaired Collective Provision $'000	Stage 3 Lifetime ECL credit impaired Specific Provision $'000	Total $'000
At 1 July 2020	5,981	117	1,010	7,108
Transferred to 12 months ECL collectively assessed	48	(48)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(13)	13	-	-
Transfer to lifetime ECL credit impaired	-	(220)	220	-
New and increased provisions net of releases	(1,627)	323	427	(877)
Impaired loans written off	-	-	(276)	(276)
At 30 June 2021	**4,389**	**185**	**1,381**	**5,955**

Provision for impairments on loans and advances to members

	Parent and Consolidated				
	Personal Loans 2021 $'000	Mortgage Loans 2021 $'000	Commercial Loans 2021 $'000	Revolving Credit 2021 $'000	Total $'000
At 1 July 2020	1,477	4,829	524	278	**7,108**
Charge/(Recovery) for the year	(248)	(835)	(70)	-	**(1,153)**
At 30 June 2021	**1,229**	**3,994**	**454**	**278**	**5,955**
Individual impairment	-	1,381	-	-	**1,381**
Collective impairment	1,168	2,744	384	278	**4,574**
	1,168	**4,125**	**384**	**278**	**5,955**
Gross amount of loans in arrears	2,616	30,664	2,533	261	36,074

Provision for impairments on loans and advances to members

	Parent and Consolidated			
	Stage 1 12-mth ECL Collective Provision $'000	Stage 2 Lifetime ECL not credit impaired Collective Provision $'000	Stage 3 Lifetime ECL credit impaired Specific Provision $'000	Total $'000
At 1 July 2019	2,803	168	1,071	4,042
Transferred to 12 months ECL collectively assessed	49	(49)	-	-
Transfer to lifetime ECL not credit impaired collectively assessed	(29)	29	-	-
Transfer to lifetime ECL credit impaired	-	(168)	168	-
New and increased provisions net of releases	3,158	137	361	3,656
Impaired loans written off	-	-	(590)	(590)
At 30 June 2020	**5,981**	**117**	**1,010**	**7,108**

	Parent and Consolidated				
	Personal Loans 2020 $'000	Mortgage Loans 2020 $'000	Commercial loans 2020 $'000	Revolving Credit 2020 $'000	Total $'000
At 1 July 2019	1,730	1,616	418	278	**4,042**
Charge/(Recovery) for the year	(253)	3,213	106	-	**3,066**
At 30 June 2020	**1,477**	**4,829**	**524**	**278**	**7,108**
Individual impairment	-	1,011	-	-	**1,011**
Collective impairment	1,477	3,818	524	278	**6,097**
	1,477	**4,829**	**524**	**278**	**7,108**
Gross amount of loans in arrears	3,322	35,283	2,290	276	41,171

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
b) Loan impairment expense / (release)	**$'000**	**$'000**	**$'000**	**$'000**
Change in provision for impairment of loans & advances net of release	(876)	3,344	(876)	3,344
	(876)	**3,344**	**(876)**	**3,344**

	Parent and Consolidated 2021	Parent and Consolidated 2020
c) Loan Maturity Analysis	**$'000**	**$'000**
Not longer than 3 months	30,185	12,403
Longer than 3 months and not longer than 12 months	48,827	34,425
Longer than 12 months and not longer than 5 years	418,165	126,968
Longer than 5 years	1,727,573	1,726,507
Total gross loans and advances to members	**2,224,750**	**1,900,303**

C2 LOANS AND ADVANCES TO MEMBERS (Continued)

d) Loan Security dissection

	Parent and Consolidated 2021 $'000	Parent and Consolidated 2020 $'000
Secured by mortgage over Commercial property	164,088	142,127
Secured by mortgage over real estate	1,969,209	1,663,263
Partly secured by goods mortgage	64,275	65,895
Wholly unsecured	27,178	29,018
Total gross loans and advances to members	**2,224,750**	**1,900,303**

e) Loan to valuation ratio

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

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

	2021	2020
Loan to valuation ratio of less than 80%	1,803,805	1,510,791
Loan to valuation ratio of more than 80% but mortgage insured	259,602	219,230
Loan to valuation ratio of more than 80% but not mortgage insured	69,890	75,370
Total loans secured by mortgage over real estate and commercial property	**2,133,297**	**1,805,391**

f) Concentration of loans

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

	Parent and Consolidated 2021 $'000	Parent and Consolidated 2020 $'000
New South Wales	2,070,801	1,787,839
Other	153,949	112,464
Total	**2,224,750**	**1,900,303**

g) Off-Balance sheet arrangements

The Group has arrangements with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote loans on their behalf, for on sale to an investment trust. The Group also manages the portfolio on behalf of the trust. The amount of securitised loans under management as at 30 June 2021 is $824,791 (2020 is $1,106,522).

h) Self Securitisation

The Company has established the Trusts to provide access to emergency liquidity support in the event of a systemic liquidity crisis. The Trusts are in substance controlled by the Company. Accordingly, the Trusts are consolidated into the Company's financial statements. The Company sells the rights to future cash flows of eligible residential home loans into the Trusts and receives funds equal to the aggregated outstanding balances on all loans which the Trusts have purchased and subsequently issued Notes for investors to invest in. Two classes of notes were issued by the Trusts and both are fully owned by the Company. Whilst the rights to the underlying cash flows have been transferred, the Company has been appointed to service the loans and must continue to manage the loans as if it were the lender. Accordingly, the mortgage loans and associated financial liability from the Trusts on transfer of the loans are recognised in the Company's financial statements. During the financial year, an additional balance of $298,408,160 loans was transferred to the trusts and the balance of securitised loans is $488,239,983 (2020: $392,208,393).

	Consolidated		Parent	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Loans assigned to the securitisation trust	-	-	488,240	392,274

C3 OTHER FINANCIAL ASSETS

		Consolidated		Parent	
		2021	2020	2021	2020
Equity Securities designated as FVOCI		$'000	$'000	$'000	$'000
Australian Settlements Limited		3	3	3	3
Auswide Bank Ltd		5	3	5	3
ID Exchange Pty Ltd		77	77	77	77
Indue Ltd		872	872	872	872
SocietyOne Holdings Pty Ltd		500	500	500	500
		1,457	1,455	1,457	1,455
Contract assets					
Insurance contracts.	B1 (ii)	1,097	874	1,097	874
		1,097	874	1,097	874
Total Other Financial Assets		**2,554**	**2,329**	**2,554**	**2,329**

Equity Securities designated as at FVOCI

Other Financial Asset investments are non-derivative financial assets, principally equity securities. After initial recognition Other Financial Asset securities are measured at fair value with gains or losses being recognised as other comprehensive income until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in other comprehensive income.

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

The fair value of the shareholding of Indue Ltd and Australian Settlements Limited was based on a Net Asset Valuation basis performed in 2021. Indue Ltd and Australian Settlements Limited were created to supply services to mutual banks, credit unions and building societies, they do not have an independent business focus. The shares in Indue Ltd and Australian Settlements Limited are held to enable the Group to receive essential banking services.

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

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

ID Exchange Pty Ltd is an unlisted company and the shares are valued at fair value using available market information.

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

C4 INVESTMENTS AT AMORTISED COST

The group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The assets are subject to impairment under AASB 9. The estimated provision for impairment losses was determined to be immaterial.

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

	Consolidated		Parent	
	2021	2020	2021	2020
Current	$'000	$'000	$'000	$'000
ADI debt investments	37,738	152,541	37,738	152,541
Semi Government securities	10,409	-	10,409	-
Commonwealth Government securities	124,997	-	124,997	-
Total current investments at Amortised Cost	**173,144**	**152,541**	**173,144**	**152,541**
Non-Current				
ADI debt investments	66,418	97,671	66,418	97,671
Semi Government securities	86,482	49,791	86,482	49,791
Residential Mortgage Backed securities	17,314	-	17,314	-
Total non-current investment at Amortised Cost	**170,214**	**147,462**	**170,214**	**147,462**
Total investments at amortised cost	**343,358**	**300,004**	**343,358**	**300,004**

C5 FINANCIAL RISK MANAGEMENT

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

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

a) Credit Risk

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

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

(i) Maximum exposure to credit risk

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

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	239,697	128,887	211,518	90,093
Trade and other receivables	1,673	3,934	3,093	5,225
Loans and advances to members	2,224,750	1,900,303	2,224,750	1,900,303
Notes receivable from securitisation trust	0	0	515,000	429,800
Other financial assets	2,554	2,329	2,554	2,329
Investments at amortised cost	343,358	300,004	343,358	300,004
Total on balance sheet	2,812,032	2,335,457	3,300,272	2,727,754
Credit risk exposures relating to off balance sheet assets:				
Guarantees	6,415	5,485	6,415	5,485
Loan Repayments in advance	167,868	149,900	167,868	149,900
Undrawn loan commitments	156,291	112,055	156,291	112,055
Total off balance sheet	330,574	267,440	330,574	267,440
Total on and off balance sheet	3,142,606	2,602,897	3,630,846	2,995,194

(ii) Collateral

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

The main types of collateral obtained are as follows:

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

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

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

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

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

	Consolidated 2021			
		Estimated FV of collateral held		
	Exposure to credit risk	**Property**	**Total Collateral**	**Net Exposure**
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	239,697	0	0	239,697
Trade and other receivables	1,673	0	0	1,673
Loans and advances to members	2,224,750	3,172,722	3,172,722	0
Other financial assets	2,554	0	0	2,554
Investments at amortised cost	343,358	0	0	343,358
Total on balance sheet	2,812,032	3,172,722	3,172,722	587,282
Credit risk exposures relating to off balance sheet assets:				
Guarantees	6,415	0	0	6,415
Loan Repayments in advance	167,868	0	0	167,868
Undrawn loan commitments	156,291	0	0	156,291
Total off balance sheet	330,574	0	0	330,574
Total on and off balance sheet	3,142,606	3,172,722	3,172,722	917,856

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(ii) Collateral (Continued)

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

	Consolidated 2020			
		Estimated FV of collateral held		
	Exposure to credit risk	Property	Total Collateral	Net Exposure
Credit risk exposures relating to on balance sheet assets:	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	128,887	0	0	128,887
Trade and other receivables	3,934	0	0	3,934
Loans and advances to members	1,900,303	2,573,368	2,573,368	0
Other financial assets	2,329	0	0	2,329
Investments at amortised cost	300,004	0	0	300,004
Total on balance sheet	2,335,457	2,573,368	2,573,368	435,154
Credit risk exposures relating to off balance sheet assets:				
Guarantees	5,485	0	0	5,485
Loan Repayments in advance	149,900	0	0	149,900
Undrawn loan commitments	112,055	0	0	112,055
Total off balance sheet	267,440	0	0	267,440
Total on and off balance sheet	2,602,897	2,573,368	2,573,368	702,594

During the financial period the Group realised $20,528 (2020:$12,927) of real estate and other assets through the enforcement of security. As at period-end, the market value of assets in possession by the Group was $15,000 (2020:$Nil). The Group uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

(iii) Renegotiated loans

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

(iv) Impairment assessment

The main considerations for loan impairment assessment are as follows:
- whether any payments of principal or interest are overdue; or
- there are any known difficulties in the cash flows of counterparties; or
- infringements of the original terms of the contract.

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

(v) Collectively assessed allowances

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

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

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(vi) Individually assessed allowances

The Group determines specific allowances loans where there has been a significant decline in the credit quality and there is evidence of specific impairment. When specific allowances are assessed the value may, or may not consider taking security into consideration.

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

30 June 2021	Parent and Consolidated				
	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	873	263	132	1,348	2,616
Mortgage Loans	13,019	3,800	1,313	7,669	25,801
Commercial Loans	769	497	210	836	2,312
Revolving Credit	114	34	38	82	268
Total	**14,775**	**4,594**	**1,693**	**9,935**	**30,997**

30 June 2020	Parent and Consolidated				
	1 to 30 days	30 to 60 days	60 to 90 days	90+ days	Total
	$'000	$'000	$'000	$'000	$'000
Loans and advances to members					
Personal Loans	811	411	459	1,641	3,322
Mortgage Loans	10,493	2,947	4,305	9,606	27,351
Commercial Loans	665	178	113	1,334	2,290
Revolving Credit	116	37	13	110	276
Total	**12,085**	**3,573**	**4,890**	**12,691**	**33,239**

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

Parent and Consolidated	**2021**			**2020**		
	Gross Impaired Assets	Individually Assessed Provisions	Impaired Assets Net of Assessed Provisions	Gross Impaired Assets	Individually Assessed Provisions	Impaired Assets Net of Assessed Provisions
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Loans and advances to members	5,198	1,381	3,817	7,932	1,011	6,921
Financial assets individually assessed as impaired	**5,198**	**1,381**	**3,817**	**7,932**	**1,011**	**6,921**

(ix) Credit quality of financial assets

The credit quality of loans and advances and financial investments, can be assessed by reference to external credit ratings (if available):

Loans and Advances

30 June 2021	**Stage 1**		**Stage 2**		**Stage 3**	
	12-mth ECL Collective Provision		**Lifetime ECL not credit impaired Collective Provision**		**Lifetime ECL credit impaired Specific Provision**	
	Consolidated	**Parent**	**Consolidated**	**Parent**	**Consolidated**	**Parent**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
	2,208,209	2,208,209	6,430	6,430	10,111	10,111
	2,208,209	**2,208,209**	**6,430**	**6,430**	**10,111**	**10,111**

30 June 2020	**Stage 1**		**Stage 2**		**Stage 3**	
	12-mth ECL Collective Provision		**Lifetime ECL not credit impaired Collective Provision**		**Lifetime ECL credit impaired Specific Provision**	
	Consolidated	**Parent**	**Consolidated**	**Parent**	**Consolidated**	**Parent**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and Advances	1,878,823	1,878,823	7,480	7,480	14,000	14,000
	1,878,823	**1,878,823**	**7,480**	**7,480**	**14,000**	**14,000**

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

Cash and cash equivalents and Investments at amortised cost	**Consolidated**		**Parent**	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
AAA	160,052	29,860	160,052	29,860
AA	338,988	218,238	310,812	179,444
A	22,053	92,098	22,053	92,098
BBB	-	50,975	-	50,975
Unrated	62,266	37,720	62,266	37,720
	583,359	428,891	555,183	390,097

Financial Investments are subject to ECL provision but the Group has assessed the amount as immaterial.

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

30 June 2021	Parent and Consolidated			
	Housing	Commercial	Personal	Total
	$'000	$'000	$'000	$'000
Loans	1,920,763	211,349	60,769	2,192,881
Revolving Credit and Overdrafts	4,560	13,883	13,426	31,869
Total Balances	**1,925,323**	**225,232**	**74,194**	**2,224,750**
Percentage of portfolio	**86.5%**	**10.1%**	**3.3%**	**100.0%**
Maximum percentage under Group policy	**100.0%**	**17.0%**	**30.0%**	

C5 FINANCIAL RISK MANAGEMENT (Continued)

a) Credit Risk (Continued)

(ix) Credit quality of financial assets(Continued)

30 June 2020	Parent and Consolidated			
	Housing	Commercial	Personal	Total
	$'000	$'000	$'000	$'000
Loans	1,624,739	171,867	71,500	1,868,106
Revolving Credit and Overdrafts	3,432	15,508	13,257	32,197
Total Balances	**1,628,171**	**187,375**	**84,757**	**1,900,303**
Percentage of portfolio	**85.7%**	**9.9%**	**4.5%**	**100.0%**
Maximum percentage under policy	**100.0%**	**17.0%**	**30.0%**	

b) Liquidity Risk

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

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

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

The liquidity ratio during the year was as follows:

	2021	2020
	%	%
30 June	17.22	17.88
Average during the period	18.83	15.56
Highest	21.05	18.70
Lowest	16.65	13.67

Maturities of financial liabilities

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

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

Parent & Consolidated						
Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
As at 30 June 2021	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	1,629,520	343,050	388,449	38,021	-	2,399,040
Trade and other payables	14,414	-	-	-	-	14,414
Term Funding Facility		-	-	213,598	-	213,598
Total financial liabilities	**1,643,934**	**343,050**	**388,449**	**251,619**	**-**	**2,627,052**
Contingent liabilities	6,415	-	-	-	-	6,415
Commitments	242,052	82,107	377	1,686	-	326,222
Total other liabilities	**248,467**	**82,107**	**377**	**1,686**	**-**	**332,637**

Parent & Consolidated						
Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
As at 30 June 2020	$'000	$'000	$'000	$'000	$'000	$'000
Deposits	1,279,720	490,481	339,434	47,923	-	2,157,558
Trade and other payables	20,125	-	-	-	-	20,125
Total financial liabilities	**1,299,845**	**490,481**	**339,434**	**47,923**	**-**	**2,177,683**
Contingent Liabilities	5,485	-	-	-	-	5,485
Commitments	210,406	51,549	377	1,686	-	264,018
Total other liabilities	**215,891**	**51,549**	**377**	**1,686**	**-**	**269,503**

i) The table excludes a parent liability of $488,239,983 (2020: $391,659,052) over 5 years for self securitised mortgage loans referred to in Note C2 h)

iI) The table includes a drawn allocation of $212,957,966 under the Term Funding Facility (TFF) from the Reserve Bank of Australia referred to in Note C8. No further amounts are available for drawn down on the TFF as of 30 June 2021.

C5 FINANCIAL RISK MANAGEMENT (Continued)

c) Interest Rate Risk

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

(i) Value at Risk (VaR)

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

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

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

	Consolidated		Parent	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
VaR exposure at 30 June	197	364	197	364
Average monthly VaR exposure	281	275	281	275
Maximum monthly VaR exposure	365	364	365	364
Minimum monthly VaR exposure	197	212	197	212

(ii) Sensitivity

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

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

1% shift upwards of interest rate impact to income statement	2,724	882	2,724	882
1% shift downwards of interest rate impact to income statement	(2,724)	(882)	(2,724)	(882)

d) Fair Value Measurements of financial assets and liabilities

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

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

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

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

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

30 June 2021	Consolidated				
	Carrying value	Level 1	Level 2	Level 3	Fair Value
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	239,697	239,697	-	-	239,697
Investments at Amortised cost	343,358	-	343,358	-	343,358
Loans and advances	2,218,794	-	-	2,218,794	2,218,794
Other Financial assets	2,554		-	2,554	2,554
Total financial assets	2,804,403	239,697	343,358	2,221,348	2,804,403
Financial liabilities					
Deposits	2,394,363	-	2,394,363	-	2,394,363
Total financial liabilities	2,394,363	-	2,394,363	-	2,394,363

30 June 2020	Consolidated				
	Carrying value	Level 1	Level 2	Level 3	Fair Value
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Cash and cash equivalents	128,887	128,887	-	-	128,887
Investments at Amortised cost	300,004	-	300,004	-	300,004
Loans and advances	1,893,195	-	-	1,893,195	1,893,195
Other Financial assets	2,329	3	-	2,326	2,329
Total financial assets	2,324,416	128,890	300,004	1,895,521	2,324,416
Financial liabilities					
Deposits	2,146,122	-	2,146,122	-	2,146,122
Total financial liabilities	2,146,122	-	2,146,122	-	2,146,122

C5 FINANCIAL RISK MANAGEMENT (Continued)

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

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

Cash and cash equivalents

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

Investments at amortised cost

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

Loans and advances to members

The carrying value of loans, advances and other receivables is net of specific provisions for impairment. These are carried at amortised cost. The amortised cost carrying value approximates fair value and they are considered level 3 under the fair value measurement hierarchy.

Other financial assets

Investments in unlisted and listed equity investments with a fair value of $1,456,880 (2020: $1,455,731) were included in Other Financial Asset Investments as at 30 June 2021.
All Other Financial Assets other than Auswide Bank Ltd (level 1) are categorised as level 3 within the fair value hierarchy of AASB 13. There is no immediate intention to dispose of these investments. There were no changes between levels during the year.

Deposits

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

As at 30 June 2021 and 2020 there were no transfers of securities between levels.

e) Operational Risk

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

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

C6 TRADE AND OTHER RECEIVABLES

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

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

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Accrued Interest and other accrued income	41	93	41	93
Sundry debtors and settlement accounts	798	2,840	798	2,840
Intercompany receivable from securitisation trust	-	-	1,419	1,291
Prepayments	834	1,001	834	1,001
Total trade and other receivables	**1,673**	**3,934**	**3,093**	**5,225**

There were no receivables past due at balance date.

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

C7 TRADE AND OTHER PAYABLES

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

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Accrued interest payable	4,285	6,729	4,285	6,729
Sundry creditors and accrued expenses	2,149	1,922	2,149	1,945
Clearing accounts	7,981	11,474	7,981	11,474
Total trade and other payables	**14,414**	**20,125**	**14,414**	**20,148**

C8 TERM FUNDING FACILITY

	Consolidated		Parent	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Term Funding Facility (TFF)	212,958	-	212,958	-
Total trade and other payables	**212,958**	**-**	**212,958**	**-**

Reserve Bank of Australia Term Funding Facility (TFF)

As part of the response to the COVID-19 Pandemic, the Reserve Bank of Australia has made available a Term Funding Facility (TFF) for Australian ADI's. These ADI's are able to draw down on additional funding at 0.10% for up to 3 years up to an individual limit set by the RBA. Regional Australia Bank as at 30 June 2021 has drawn an allowance of $212,957,966. There are no further amounts available for draw down as at 30 June 2021.

Terms of the Term Funding Facility are;

- Term of any drawdown is a maximum of 3 years from the date of drawdown. Regional Australia Bank drawn tranches are scheduled for repayment between September 2023 and June 2024
- Interest rate is fixed at 0.10% for the term of the facility
- Collateral consists of that currently eligible for the Reserve Bank's domestic market operations and includes self-securitised asset backed securities of which the Trusts of the group are included
- The Reserve Bank will apply haircuts to the collateral which are set out on the Reserve Bank website and may be varied at any time
- Participants may terminate any usage of the TFF, in part of in full, before its maturity date in accordance with procedures set out by the Reserve Bank.

D CAPITAL MANAGEMENT

D1 CAPITAL MANAGEMENT

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

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

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

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

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

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

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

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Common Equity Tier 1 Capital	182,294	166,597
Additional Tier 1 Capital	-	-
Tier 2 Capital	4,938	4,595
Total Capital	**187,233**	**171,192**
Risk Weighted Assets	1,263,571	1,114,055
Risk-based Capital Ratio	**14.82%**	**15.37%**

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

		Consolidated		Parent	
		2021	2020	2021	2020
D2	**REDEEMABLE MEMBER SHARES**	$'000	$'000	$'000	$'000
	Opening balance	1,192	708	1,192	708
	Transfer from/(to) retained earnings	(27)	484	(27)	484
	Closing balance	**1,165**	**1,192**	**1,165**	**1,192**

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

D3 RESERVES

	Consolidated		Parent	
	2021	2020	2021	2020
Other reserves	**$'000**	**$'000**	**$'000**	**$'000**
Land and Buildings revaluation reserve	859	1,058	859	1,058
Transfer of Land and Buildings revaluation reserve on merger of HCCU	-	1,535	-	1,535
Other Financial Asset investments revaluation reserve	397	396	397	396
Total other reserves	**1,256**	**2,989**	**1,256**	**2,989**
Movements:				
Land and Buildings revaluation reserve				
Opening balance	2,593	1,058	2,593	1,058
Transfer of Land and Buildings revaluation reserve on merger of HCCU	-	1,535	-	1,535
Movement in Land and Building revaluation reserve	(1,734)	-	(1,734)	-
Balance at end of year	**859**	**2,593**	**859**	**2,593**
Other Financial Asset investments revaluation reserve				
Opening balance	396	396	396	396
Movement in Other Financial Asset revaluation reserve	1	-	1	-
Balance at end of year	**397**	**396**	**397**	**396**

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

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

E EMPLOYEE BENEFITS

E1 EMPLOYEE BENEFITS

	Parent & Consolidated	
	2021	2020
a) Employee benefits expense	**$'000**	**$'000**
Salaries and wages	18,613	21,331
Superannuation expense	1,664	1,752
Other employee benefits expense	2,482	3,235
	22,760	**26,318**

b) Provision for Employee benefits

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

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

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

	Consolidated		Parent	
	2021	2020	2021	2020
Current	**$'000**	**$'000**	**$'000**	**$'000**
Annual leave	1,683	1,603	1,683	1,603
Long service leave	2,279	2,212	2,279	2,212
Total current provisions	**3,962**	**3,815**	**3,962**	**3,815**
Non-current				
Long service leave	468	518	468	518
Total non current provisions	**468**	**518**	**468**	**518**
Total provisions	**4,430**	**4,333**	**4,430**	**4,333**

E2 RELATED PARTY DISCLOSURES

a) Remuneration of Key Management Personnel (KMP)

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

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

	Consolidated and Parent 2021 $	Consolidated and Parent 2020 $
Short-term employee benefits	3,533,119	4,764,797
Termination benefits	271,435	724,982
Superannuation contributions	229,579	399,176
Total remuneration of Key Management Personnel	**4,034,133**	**5,888,955**

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

b) Loans to Key Management Personnel (KMP)

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

Key Management Personnel who are not directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to fringe benefits tax, are included in the remuneration in (a) above.

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

	Consolidated and Parent 2021 $	Consolidated and Parent 2020 $
(i) The aggregate value of loans to Key Management Personnel as at balance date:	5,050,789	5,957,633
(ii) The total value of revolving credit facilities to Key Management Personnel as at balance date:	119,000	115,000
(iii) Less amounts drawn down and included in total loans above	(23,885)	(49,328)
Net revolving credit facilities available	**95,115**	**65,672**
Fixed term loans disbursed to Key Management Personnel during the year	1,675,472	675,000
Average balance of revolving credit facilities	14,081	43,099
Total loans disbursed to Key Management Personnel	**1,689,553**	**718,099**
Interest and other revenue earned on loans and revolving credit facilities to Key Management Personnel	105,199	185,148

c) Deposits from Key Management Personnel

Total value of term and savings deposits from Key Management Personnel	2,418,168	858,397
Total interest paid on deposits to Key Management Personnel	2,815	9,194

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

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

d) Other transactions of Key Management Personnel

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

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

F OTHER DISCLOSURES

F1 REMUNERATION OF AUDITORS

	Consolidated		Parent	
	2021	2020	2021	2020
Remuneration of the auditor for:	$	$	$	$
● Statutory & Regulatory Audits	206,130	234,000	206,130	234,000
● Other Audit Services	-	5,000	-	5,000
● Taxation Services	23,200	26,200	23,200	26,200
Total remuneration of auditors	**229,330**	**265,200**	**229,330**	**265,200**

F2 LEASES

a) Leases as a Lessee

The Group has entered into commercial leases on certain commercial properties from which branches operate. The leases typically run for a period between one to ten years, with an option to renew the lease after that date. Lease payments are renegotiated at the expiry of the lease, or on exercising of option to renew, to reflect market rental. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The retail and office property leases were entered into prior to 1 July 2019 and are classified as leases under AASB 16.

The Group leases office equipment with contract terms of 5 years. These leases are short-term and of low value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information for which the Group is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

	Land and Buildings	Total
2021	**$'000**	**$'000**
Balance at 1 July	4,126	4,126
Depreciation charge for the year	(1,690)	(1,690)
Additions to right-of-use assets	2,492	2,492
Balance at 30 June	4,928	4,928
2020	**$'000**	**$'000**
Balance at 1 July	-	-
	4,126	4,126
Balance at 30 June	4,126	4,126

(ii) Amounts recognised in profit or loss

	2021
2021 - Leases under AASB 16	**$'000**
Interest on lease liabilities	182
Income from sub-leasing right-of-use assets presented in 'other revenue'	-
Expenses relating to short-term leases	501
2020 - Leases under AASB 16	**$'000**
Interest on lease liabilities	238
Income from sub-leasing right-of-use assets presented in 'other revenue'	34
Expenses relating to short-term leases	381

(iii) Amounts recognised in statement of cash flows	2021	2020
	$'000	**$'000**
Total Cash outflow for leases	1,296	1,165

(iv) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the Lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

F3 COMMITMENTS

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

a) Undrawn Loan Commitments

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

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

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

	Consolidated		Parent	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Loans Approved but not funded	82,107	51,549	82,107	51,549
Loan Repayments in advance	167,868	149,900	167,868	149,900
Undrawn lines of commitment	74,184	60,506	74,184	60,506
	324,159	**261,955**	**324,159**	**261,955**

F4 CONTINGENT LIABILITIES

Financial Guarantees

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

The amount guaranteed at balance date is limited to $6,415,689 (2020: $4,789,216).

F5 LAND AND BUILDINGS

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

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

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

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

Both the Armidale head office and branch properties were last revalued based on an independent assessment by Herron Todd White Valuers as at June 2021. During the year the Group disposed of property in Wauchope.

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

	Consolidated		Parent	
	2021	2020	2021	2020
(a) Land and buildings	**$'000**	**$'000**	**$'000**	**$'000**
At valuation	4,903	8,335	4,903	8,335
Less accumulated depreciation	-	(815)	-	(815)
	4,903	**7,520**	**4,903**	**7,520**

(b) Movements in carrying amounts

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

	Parent and Consolidated
2021	**Land & Buildings**
	$'000
Balance at the beginning of the year	7,520
Revaluation decrement	(199)
Additions	21
Disposals	(2,218)
Depreciation expense	(221)
Carrying amount	**4,903**

	Parent and Consolidated
2020	**Land & Buildings**
	$'000
Balance at the beginning of the year	2,950
Transfers on merger with HCCU	2,452
Additions	2,336
Depreciation expense	(218)
Carrying amount	**7,520**

F6 SUBSEQUENT EVENTS

The chief operating decision maker, Mr Kevin Dupé retired from the position as Chief Executive of the Group on 1 July 2021 and replacement Mr David Heine appointed effective 1 July 2021.

The COVID-19 outbreak has continued to impact the Australian community. Since the reporting date, the number of infections has increased significantly in NSW with small spikes in cases also seen across Australia. Measures taken by the Australian government and local State governments to contain the virus and reduce economic hardship continue to impact the wider economy and the Group's business. Since the reporting date, there has been no material impact on the carrying value of the Group's assets based on the information available as of the date of this report. The level of hardship loan repayment deferral requests and subsequent approvals have not materially changed since reporting date.

Other than disclosed above, there has not arisen in the interval between the end of this financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to significantly affect the operations of the Group, the results of operations, or the state of the affairs of the Group in future financial year.

DECLARATION BY DIRECTORS

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

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

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

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

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

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

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

Graham Olrich
Director

Michael Fenech
Director

30 September 2021

Independent Auditor's Report

To the members of Regional Australia Bank Ltd

Opinion

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

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

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

The respective ***Financial Report*** of the Group and the Parent comprises:

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

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

Basis for opinion

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

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

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

Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

KPMG

KPMG

Nicholas Buchanan

Partner

Sydney

30 September 2021

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regional australia bank

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