Australian Military Bank

ANNUAL REPORT 2020


AIR FORCE
SHAW
AUSTRALIA

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CHAIR'S REPORT

History will remember 2019-20 as a period of great uncertainty for Australia with a national bushfire crisis and the onset of the COVID-19 pandemic.

We will remember it as the time when our Australian Defence Force (ADF) members were called upon to support local communities and work tirelessly to secure our safety and stability. We also cannot forget the extended families of our members who have had to deal with unprecedented disruption to their normal lives. Our work to increase access for members through Mobile and Internet Banking platforms has supported many members and their families during this difficult period. We have continued to assist our members with compassionate banking support when they or their partners have been financially impacted by the pandemic.

Leadership

In December 2019 we said goodbye to our Deputy Chair, Jodie Hampshire. Jodie had provided the Bank wonderful service over the last four years and we thank her for her outstanding contribution. We welcomed Alan Bardwell into the role of Deputy Chair, stepping up from his Board position into the new role in January 2020.

In March this year we also welcomed our new CEO Darlene Mattiske-Wood. In the weeks and months that followed, Darlene led the Bank through unprecedented challenges, provided comprehensive services to members and with the leadership team and the Board, is building a plan for the Bank for 2021 and beyond.

In her first communication to the Bank Darlene confirmed, “There is no confusion about our key objective or which stakeholders we serve. We are member-first and this clarity will be informing all dimensions of my leadership of Australian Military Bank”, this perspective has provided a sound strategic focus as we continue to define a pathway and set our new vision and goals for the future.

Strategy - delivering our potential

Following the progress of our Bank’s digital investment last year, our focus has shifted to consolidating and leveraging our new capabilities to complete the transformation objective of making banking easy through the use of digital technology.

The role of banking has evolved to include empowering, facilitating and protecting members on their life journey. Our focus is on ensuring that members remain at the centre of this process and are considered in every facet of our strategy. Our 2021 Business Plan has a focus on delivering an improved digital experience. One that is flexible and that supports member protection with products delivered in a manner that is personalised to the broader serving and retired community and their families.

The financial results

While it has been an unusual second half of the financial year with the pandemic, overall it has been another year of consistent financial performance for AMB. At year end, our net profit after tax came in at $2.5 million. As a member owned mutual bank we don’t seek to maximise profit, but rather create sufficient surpluses that we can invest in enhancing the value that we provide members and support future growth.

A globally accessible Bank 24/7

Ensuring our geographically disbursed membership have a full suite of banking services on hand whenever they have internet access is our first priority. Our comprehensive digital service, that now includes 'PayID' real time payments, ensures that location is no impediment to a full banking relationship. In areas where we have a concentrated membership we continue to offer in-branch banking - as shown in the table below.

OUR **REACH**

Branches
19

Kiosks
6

ATMs
30

Plus, off-base our members can transact fee free at any of the major Australian bank ATMs nationwide.

Our flagship branch at Williamtown

Group Captain Peter Cluff, from RAAF Williamtown, cut the ribbon on our first new-concept branch in February. Ours is the first bank branch in the new Williamtown precinct bringing the best of digital banking out in front of the counter to allow our team to shape a seamless member experience.

Partnering with our community

Over the course of the last year we have built on our Military Rewards Account donations to our charity partners Legacy, Mates for Mates, RSL Defence Care and Soldier On, with the total now exceeding $200,000. This outstanding milestone has been achieved in five short years and assists our four partners in serving the Defence community. 100% of members' donations are matched by the Bank.

Celebrating achievements

Over the course of the last year, AMB has been recognised by both the banking industry and banking customer advocates for our achievements in technology, products and our people.

In April 2020 we won the prestigious global 'Celent Co-operative Bank Transformation Award 2020' for our technological innovation. Further, we received the Infosys Finacle Client Innovation Awards for our implementation of two-minute on-boarding allowing new members to open accounts with minimal effort.

In further product achievements AMB was both a Finder Awards Finalist as well as a Finalist in the Money Magazine Awards for 2020. Our Personal Loan product was recognised by both for its features and value to members.

Finally, we continue to be recognised by Defence Families of Australia as a 'Defence Partner Friendly employer'. This means we recognise the value of hiring from the highly versatile talent pool within the Defence community and can offer the flexibility that may be required of us to work with these individuals.

Our members first and foremost

As we reflect on the challenges and achievements of the last year there is no doubt that the road ahead, uncertain as it may be, is beckoning us to greater heights. Our commitment to our core membership informs both our business strategy and our product and service offering. AMB will continue to serve you by creating, protecting and returning member value, while respecting the rights of members and other stakeholders.

At the end of what has been a complex and challenging year, I must thank our management and staff as it has not been easy for many working remotely from home. Your dedication to serving our members has been inspiring and greatly assists the Board in our drive for AMB to become a more agile and member centric financial institution.

John Brooks

MESSAGE FROM **THE CEO**

Dear Members,

I am proud and honoured to have joined Australian Military Bank in March. I am committed to continuing the Bank's sixty-year legacy and improving the financial wellbeing of the Defence community. Acknowledging the strong foundations the Bank has with members, we will progress the focus to gain an even deeper understanding of military life and beyond. We will continue building and strengthening the ties within the tri-service communities we serve.

I would like to thank our staff for ensuring that through these turbulent times, focus was not lost on our members.

During these unprecedented times, it is essential to keep in mind the vulnerability of people and our social responsibility to look after one another. We have focused throughout the pandemic on ensuring that branches remained open and downtime was kept to a minimum.

We have been both reviewing and planning for the future of our services and products. Our plan is focused on what is important to you, to give our Bank meaning and value for you on a day to day basis. This includes our staff asking you the types of services you need, and which product features and enhancements will improve your financial wellbeing. We are keen to hear your feedback as we develop a Member Centric model of delivery.

Listening to the voice of our members

Our focus is simple, putting our members first in all that we do. Over the coming months we will continue to connect with you, our members, to gain feedback regarding the service that you experience with us to shape our products, processes and value propositions.

In support of this, the Bank issued 9,274 email surveys to members over the year.

The feedback that we continue to gather will be at the forefront of the Bank's member strategy over the next year as we build for the future.

Supporting our members into their homes

In December 2019, we were selected by the National Housing Finance and Investment Corporation (NHFIC) to offer home loans under the Federal Government's First Home Loan Deposit Scheme (FHLDS). We were honoured with this tremendous opportunity to assist members into their first home.

Our selection enabled us to offer DHOAS assistance in tandem to the FHLDS to help first home buyers in the Defence community enter the property market whilst saving thousands of dollars by avoiding the cost of Lenders Mortgage Insurance (LMI).

The combination of schemes available to first home buyers within the ADF, places our members at a significant advantage.

Supporting our members with sustainability

Our 'Green Loans' product used to fund the purchase and installation of approved clean energy products, was launched in September 2019. This is aimed at helping members lower their power bills while supporting the health of the planet. Clean energy products include 5-star rated or higher household appliances, battery storage, insulation and energy efficient cooling/heating.

Supporting our communities with Online Banking

Our award-winning digital focus has been important at a time when the community is being urged to operate remotely and socially distance. However, we have continued to support our members with continuity in our branch network throughout the crisis.

We understand that many of our members are deployed globally, so a digital offering that has access and security at the forefront is critical in our redesign. This includes enhanced biometric protection on our members' devices so they can bank with confidence. We will continue to focus on improving our banking services and through feedback this will be targeted to a 'enhanced member experience' focus first.

Supporting our communities experiencing hardship

The past year has seen truly unprecedented challenges for all Australians owing to the bushfires in summer and the COVID-19 pandemic thereafter. As a trusted financial partner, we have supported our members that have been impacted by these events by providing assistance, including loan repayment deferrals as their employment situation becomes uncertain.

We are encouraged to report that given the employment stability of our membership, under 2% have required assistance due to COVID-19. This compares to the industry average of approximately 10%.

Looking ahead for our members and communities together

For FY2020/21 our aim is to become fit for the future. We will focus on deepening our understanding of our members' needs and pain points to support our members' view of the Bank as reliable, trusted, and easy to do business with.

Darlene Mattiske-Wood

KEY PERFORMANCE **MEASURES**

Balance Sheet Assets (in millions)

‘13	+10.1%	$818.6
‘14	+16.1%	$950.6
‘15	+12.5%	$1,068.0
‘16	+5.9%	$1,131.5
‘17	+10.8%	$1,253.7
‘18	+7.4%	$1,346.2
‘19	+3.1%	$1,387.3
‘20	+5.3%	$1,461.1

Net Member Loans (in millions)

‘13	+11.8%	$681.6
‘14	+9.2%	$744.1
‘15	+7.6%	$800.9
‘16	+9.6%	$877.5
‘17	+21.3%	$1,064.8
‘18	+5.0%	$1,118.1
‘19	+1.9%	$1,139.2
‘20	+4.7%	$1,193.2

Deposits (in millions)

‘13	+12.5%	$619.4
‘14	+27.0%	$786.6
‘15	+15.9%	$911.9
‘16	+8.1%	$986.2
‘17	+12.5%	$1,109.0
‘18	+11.3%	$1,233.9
‘19	+0.5%	$1,240.0
‘20	+5.8%	$1,311.9

Members Equity (in millions)

‘13	+6.3%	$70.6
‘14	+5.7%	$74.6
‘15	+5.4%	$78.6
‘16	+5.7%	$83.1
‘17	+6.0%	$88.1
‘18	+6.1%	$93.4
‘19	+2.5%	$95.8
‘20	+2.5%	$98.2

BUILDING FOR MEMBERS BUILDING FOR THE FUTURE: OUR STRATEGY

We are reviewing our services, products and processes to make it easier for members to do their banking with us and for our staff to get things done.

Over the last two years Australian Military Bank has undergone significant changes to deliver better banking to our members. We have upgraded the core banking system technology which enabled us to deliver members an enriched borrowing experience and the ability to open a membership in under two minutes on our app.

We have advanced our technology and now we are putting it to work to deliver robust and reliable banking services that make life easier and better for members.

In March 2020 our new CEO, Darlene Mattiske-Wood, joined the bank. Darlene brings great experience and strategic capabilities gained over lengthy experience in the mutual banking sector. Darlene is committed to aligning our bank's new found capacities with a more personal and satisfying banking experience that truly support the unique needs of the ADF community.

As the shape of life changes, the Bank must sustain the agility to support our community. In planning for our future we will continue to remain adaptable to adjust to the challenges, supported by technology and our employees. Through our strengthened leadership focus we will continue to provide opportunities to make banking better. Our strategy, first and foremost is to continue to deliver against our core purpose, to operate a sustainable, stable and robust bank dedicated to serving the needs of members.

Our planning is focused on strengthening our bond with members and delivering services and products that meet their unique needs.

This will be achieved by forming partnerships with aligned providers and continuing to build a team enthusiastically committed to our purpose.

The key focus for success in the delivery of the business plan for FY2020/21 centres around Members, Partners and People will be:

Members

We will work to make members engaged and be advocates of our brand. We will be viewed as attentive to member needs and easy to do business with. We will be considered caring, reliable and trusted.

Partners

Will view us as proactive and progressive. Be engaged with and understand our brand and values.

People

Will be engaged, positive and motivated. Understand our strategy and the role they play in its delivery. Know that we care and trust in them.

GETTING FIT FOR THE FUTURE IN FY2020/21

We have seven focus areas for the next 12 months to ensure we are fit for the future. These objectives guide for our leaders and staff and embrace the Bank's future from solid foundations.

Our aim is to prioritise what is important to members to inform a Member Centric model of delivery.

Success for the next 12 months will focus on strategies designed to create the following outcomes with our key stakeholders:

Members

- Engaged advocates of our brand
- View us as easy to do business with, reliable, trusted, caring and it's a great experience

Partners

- Feel engaged and positive to our brand, direction and progress

People

- Engaged, positive and motivated
- Understand our strategy and the role they play
- Know that we care and trust in them

Members

Our Member Experience Strategy will focus on defining our core segments, the value that we provide to them, through a truly Member Centric operating environment. This includes sourcing and leveraging data to overcome member pain points and identify opportunities.

Strategy and Vision

We will develop a broader overarching strategy to leverage market and member insights to maximise the value that we are returning to members and ensure our long-term sustainability.

Digital and Technology

Further to the delivery of mandatory programs, such as Open Banking, we will focus on reliability and flexibility to ensure we maximise the value that our members receive from our unique digital capabilities.

Risk and Compliance

With the quantity of changes to occur in the coming year, our Risk and Compliance focus will be on oversight of these initiatives and in ensuring we enhance our capability in areas such as cyber security.

People and Culture

With a recently appointed leadership team, this focus will shift to building a positive staff culture that is centred on our members and the experience that we provide them.

Capital and Sustainability

This objective will include an introduction of alignment of our Capital Strategy to our overarching Member Strategy.

Governance and Capability

Better leveraging our data to serve and protect our members, while aligning digital, risk focus and culture.

OPEN YOUR BANK ACCOUNT IN UNDER **TWO MINUTES!**

Prospective Australian Military Bank members can now open an account with the Bank in under two minutes on our mobile application.

Those new to Australian Military Bank would need to simply download the Australian Military Bank mobile app from the AppStore or PlayStore and select ‘Join’ to get the ball rolling. For applicable accounts, prospective members can also order a Visa Debit card.

Innovations such as this allow members of the Defence community, who may be stationed across the country or overseas, to join and commence banking wherever they may be - 24/7.

DIRECTORS' **REPORT**

The Directors present their report, together with the financial statements of Australian Military Bank Limited (the 'company' or 'parent') and the consolidated entity (referred to hereafter as the 'Bank' or 'consolidated entity') consisting of Australian Military Bank Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were Directors of Australian Military Bank Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Brooks - Chair of the Board
Alan Bardwell
Michael Crane DSC & Bar, AM
Sean FitzGerald
Jonathan Sadleir AM
Bruce Scott, CSC, ADC
Rebecca Tolhurst (appointed on 1 July 2020)
Jodie Hampshire (resigned on 31 December 2019)

Principal activities

The principal activities of Australian Military Bank during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. No significant changes in the nature of these activities occurred during the year.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The profit for the Bank after providing for income tax amounted to $2,469,000 (30 June 2019: $4,150,000).

Significant changes in the state of affairs

During the financial year the Bank has seen the onset of the COVID-19 pandemic, with the depth and duration of an economic downturn dependent on the effectiveness of containment measures and the Government, prudential and industry response and support measures. During the financial year, the Bank increased its credit provision for loans to $2.934m for the potential longer term impacts of COVID-19. This reinforces our already strong provisioning and balance sheet settings that position the Bank well for a range of possible economic scenarios. Given the unprecedented set of circumstances which are still evolving, a definitive assessment of the longer term outcomes of the COVID-19 pandemic and the consequent economic and societal impacts is difficult at this stage. The Bank's lending portfolios continue to be monitored closely, including regular check-in calls with members having COVID-19 payment holidays, with detailed portfolio stress testing as the situation continues to evolve. The focus for the Bank continues to be supporting our members through continued operational excellence underpinned by the commitment and pride of our people.

For operations and business continuity, the Bank enacted its Pandemic Plan as part of the overall Business Continuity Plan. Some of the measures put in place includes:

- Front-office staff on-site in branches with social distancing measures being enforced. Additional physical barriers have also been implemented as extra precautions.
- Back-office staff are working from home with scheduled on-site and off-site rosters. Regular touch points with their Manager have also been scheduled.
- The Contact Centre team has been split across locations to manage any potential for the spread of any contagion.
- During the pandemic, the Bank has obtained support provided by the RBA by accessing the Reserve Bank Term Funding Facility ('TFF') at the rate of 0.25%

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus ('COVID-19') pandemic is ongoing. Subsequent to the year end the Bank experienced a reduction in loans with COVID-19 related repayment deferrals. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. Where practicable, the Bank has considered the potential impact of COVID-19 in preparing these financial statements, including estimating the impact on the expected credit losses. The Bank continues to monitor the potential impact of COVID-19 on its members, operations and financial position and performance. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Bank's operations, the results of those operations, or the Bank's state of affairs in future financial years.

Likely developments and expected results of operations

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

- the operations of Australian Military Bank;
- the results of those operations; or
- the state of affairs of Australian Military Bank in the financial years subsequent to this financial year.

Environmental regulation

The Bank is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors:

GROUP CAPTAIN JOHN **BROOKS** (RETD)
Chair

Qualifications

John graduated from the University of New South Wales with a Bachelor of Arts majoring in economics and is a graduate of the Royal Air Force Staff College in England and the Australian Defence College.

Experience and expertise

John has over 19 years' as a Mutual Bank Director, served for 28 years in the RAAF Logistics Branch and has spent 12 years as a small business owner.

Special responsibilities

Chair of the Board and member of the Audit Committee.

ALAN **BARDWELL**
Director

Qualifications

Alan is a Member of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Services Institute of Australasia ('FINSIA'), a Graduate of the Australian Institute of Company Directors. Alan holds a Bachelor of Arts (Honours) Economics (Accounting).

Experience and expertise

Alan has over 35 years' experience in the banking, finance and securities industry including 16 years at Citigroup and 10 years with the Australian Securities Exchange where he served as Chief Financial Officer and then Chief Risk Officer. Alan is currently the Chair of RT Health Ltd and non-executive Director of Transport Health Ltd. He is also Chair of Ku-ring-Gai Financial Services Ltd and a non-executive Director of ClearView Life Nominees Pty Ltd and the Financial Services Institute of Australasia (FINSIA). Alan is Chair of the Market Supervision and Compliance Committee that advises the Board of the Sydney Stock Exchange. He has extensive knowledge of retail, corporate and investment banking, wealth and funds management and the securities industry.

Special responsibilities

Deputy Chair of the Board and Chair of the Risk Committee.

MICHAEL **CRANE** DSC & BAR, AM
Director

Qualifications

Michael is a Graduate Member of the Australian Institute of Company Directors, Graduate of Mt Eliza General Management Program and the Harvard Club of Australia Leadership Program. He is also a graduate of the United Kingdom Higher Command and Staff Course, the Centre for Defence and Strategic Studies, the Joint Services Staff College and the Army Command and Staff College. Michael holds degrees in Strategic Studies, Defence Studies and Science.

Experience and expertise

Michael served in the Australian Army for more than 37 years including two tours commanding Australian forces in the Middle East. Michael is Chair of The Order of Australia Association (ACT Branch) and serves on the Committee of Lord's Taverners (ACT).

Special responsibilities

Chair of the Culture and Remuneration Committee and member of the Risk Committee.

SEAN **FITZGERALD**
Director

Qualifications

Sean holds a Certificate IV Finance and Mortgage Broking, a Diploma in Finance and Mortgage Broking and a Diploma in Financial Services. Sean is a member of the Australian Institute of Company Directors and a member of the Mortgage Finance Association Australia ('MFAA').

Experience and expertise

Sean has held a variety of roles over his 20 year banking career across three major banks and two member owned banks. Most recently Sean was the General Manager of Retail Banking and Distribution for P&N Bank, WA's largest member owned bank. Sean's responsibilities cover the retail branches, contact centre, broker channel, commercial finance portfolio, mobile bankers, collections and financial planning. Prior to P&N Bank, Sean was the State General Manager for Retail Banking for Western Australia, South Australia and the Northern Territory for the National Australia Bank ('NAB'). Sean holds a Diploma in Financial Services.

Special responsibilities

Chair of the Audit Committee.

JONATHAN **SADLEIR** AM
Director

Qualifications

Jonathan holds a Bachelor of Arts in History; a Graduate Diploma in Management; a Graduate Diploma in Maritime Management and Logistics; a Graduate Certificate in International Maritime Studies and a Master of Business Administration. Jonathan is a Member of the Australian Institute of Company Directors.

Experience and expertise

Jonathan was a former Commodore in the Royal Australian Navy, where his senior posts included Chief of Staff to Navy Strategic Command, Commissioning Commanding Officer of HMAS Canberra, Director Navy Continuous Improvement and Commanding Officer of the warship HMAS Parramatta. He is currently the Chief Strategy Officer for an Australian based internationally focussed company in the private sector. He is a demonstrated leader in transformational change.

Special responsibilities

Member of the Culture and Remuneration Committee and member of the Risk Committee.

BRUCE **SCOTT,** CSC, ADC
Director

Qualifications

Bruce is a graduate of the Army Command and Staff College, a Graduate Member of the Australian Institute of Company Directors and a Member of the Institute of Strategy, Innovation and Leadership. He holds a Graduate Diploma in Management Studies.

Experience and expertise

Bruce has been a member of the Australian Defence Force ('ADF') since 1974 with operational service in Malaysia, Somalia and Afghanistan. He retired from the Regular Army in 2000 and from the Army Reserve in 2017 after leading complex and sensitive ADF Inquiries. In late 2018, Bruce accepted the honorary appointment of Colonel Commandant of the Royal Queensland Regiment. In early 2019 he was appointed an Honorary Aide de Camp to the Governor General of Australia. Bruce is also the President of the National Rifle Association of Australia and an active Rotarian.

Special responsibilities

Member of the Audit Committee.

REBECCA **TOLHURST**
Director

(as at 1 July 2020)

Qualifications

Rebecca holds degrees in Law (Hons) and Commerce and is also a Graduate of the Australian Institute of Company Directors.

Experience and expertise

Rebecca commenced her career in private legal practice in the fields of property and general commercial law before taking up her current position as General Counsel with the Bickford's Group including responsibility for People and Culture. Her experience has extended broadly into the fast-moving consumer goods, retail and property industries in a transactional and strategic capacity. Rebecca also holds the position of Chair of the Barossa Co-op, a 75 year old retail co-operative operating in her home region of the Barossa Valley.

Special responsibilities

Member of the Culture and Remuneration Committee.

OUR CEO AND **COMPANY SECRETARY**

DARLENE **MATTISKE-WOOD**
Chief Executive Officer

Qualifications

Darlene's qualifications include the Advanced Management Program, Harvard University; Diploma in Management; Bachelor of Management and a Graduate Diploma in Human Resource Management.

Experience and expertise

Darlene has more than 20 years' experience in strategic and executive leadership, 15 of these years at the CEO and Deputy CEO level. Darlene has held several Board positions including current Director with COBA (Customer Owned Banking Association) and previous Chair of Mutual Market Place.

Awards and recognition

Darlene is a recipient of a 2016 Telstra Business Women's Award, and a finalist in the 2017 National Retail Banking Awards for Executive of the Year. Darlene is also a recipient of two AHRI Awards (Australian Human Resource Institute) for People Leadership and People Strategy and is a member of the Australian Institute of Company Directors (Member AICD).

STEPHANIE **VASS**
Company Secretary

Qualifications

Stephanie's qualifications include a Bachelor of Arts, Bachelor of Laws and Master of Labour Law and Relations. Stephanie is a Chartered Governance Professional, a Chartered Secretary and a Fellow of the Governance Institute of Australia and the Chartered Governance Institute.

Experience and expertise

Stephanie was appointed Company Secretary on 28 August 2020. Stephanie is an experienced legal, commercial and Chartered Governance Professional. Stephanie has held senior executive roles including as Group General Counsel and more recently as Company Secretary in financial services, professional services and manufacturing industries. Stephanie has been a partner in two national law firms and was a part time Judicial Member of the Administrative Decisions Tribunal of NSW. Stephanie is a member of the Risk and Governance Committee of the Governance Institute of Australia.

Awards and recognition

Cultural Diversity Scholarship 2015, Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2020, and the number of meetings attended by each Director were:

	FULL BOARD		AUDIT		RISK		RENEWAL	
Directors	A	H	A	H	A	H	A	H
JOHN BROOKS	9	9	5	6	-	-	2	2
ALAN BARDWELL	9	9	-	-	5	5	-	-
MICHAEL CRANE	9	9	-	-	5	5	1	2
SEAN FITZGERALD	8	9	6	6	-	-	-	-
JONATHAN SADLEIR	8	9	-	-	4	5	-	-
BRUCE SCOTT	9	9	6	6	-	-	2	2
JODIE HAMPSHIRE[1]	4	4	-	-	-	-	-	-

There were no meetings held for the Board Governance Committee and the Culture and Remuneration Committee during the year ended 30 June 2020.

[1] Board Director from 1 July to 31 December 2019

A No. of meetings attended

H No. of meetings held that a Director was eligible to attend

Shares under option

There were no unissued ordinary shares of Australian Military Bank Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Australian Military Bank Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the Directors and Executives of the company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the Directors and Executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 after this Directors' report.

Auditor

KPMG continues to be the auditor in accordance with section 327 of the Corporations Act 2001.

Board resolution

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

John Robert Brooks
Chair

30 September 2020

Alan Bardwell
Deputy Chair

30 September 2020

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's and Bank's financial position as at 30 June 2020 and of their performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

John Robert Brooks
Chair

30 September 2020

Alan Bardwell
Deputy Chair

30 September 2020

DEDICATED TO
OUR COMMUNITIES

ADFA OPEN DAY

We were delighted to be present at the ADFA Open Day on 24 August 2019, providing financial assistance to several potential recruits. This memorable occasion was capped off with the ADFA branch team raising $900 for charity partner Legacy, through the sale of Legacy Bears. We would like to thank everyone who purchased a Legacy Bear on the day, helping Australian Defence families suffering after the injury or death of a spouse or parent.

AMB VS NAVY FOOTBALL

We were honoured to play in a friendly football match, hosted by HMAS Kuttabul at Fleet Base East. The match took place on 22 November 2019 and was a great opportunity for Australian Military Bank to interact with the Defence community. It was a fierce game and we would like to congratulate the Navy who walked away from the fun day winning 3-2.

KAPOOKA BILLY CART CHAMPIONSHIP QUALIFIER

We are proud to have sponsored the ARTC Billy Cart Championship qualifier, held at Kapooka 25 October 2019. Although the Australian Billy Cart Championships, which were due to be held in Corowa on Easter Saturday this year did not go ahead as planned, we would like to congratulate the winning team Alpha on their success. We are proud to have a strong community presence at Kapooka and are grateful for this occasion strengthening our ties to the Defence community.

TOGETHER, WE HAVE DONATED

OVER $200K

TO OUR DEFENCE CHARITY PARTNERS!

MATES 4 MATES

SOLDIER ON

RSL DefenceCare
Always there

LEGACY

MILITARY REWARDS ACCOUNT **MILESTONE**

Our Military Rewards Account holders are making a difference for the Defence Community.

Here at Australian Military Bank we are committed to giving back to the Defence community through our charity partners Mates4Mates, Soldier On, RSL DefenceCare and Legacy.

On behalf of our charity partners, we would like to thank and congratulate our Military Rewards Account holders for achieving a significant milestone.

Together, we have donated over $200,000 to our Defence charity partners!

Australian Military Bank is proud to match our member contributions from the Military Rewards Account, cent for cent. The donations from the Program have allowed us to provide much needed support to both serving and ex-serving members of the Defence community.

WHAT IS A
MILITARY REWARDS ACCOUNT?

The perfect everyday transaction account that features 1% cash back on Visa payWave purchases*

Free Australian Military Bank ATM withdrawals~

Cents gifting program to your choice of Defence charity

24-hour access via Internet Banking and Mobile Banking

HOW DO I OPEN A
MILITARY REWARDS ACCOUNT?

Australian Military Bank app

via Google Play+ or App Store^

Internet Banking

via our website
australianmilitarybank.com.au

* 1% cash back on Visa payWave purchases under $100 when you deposit at least $2,000 each month (capped at $25 per month).

~ ATM providers not included in the Australian Military Bank ATM network may charge you directly for using their ATMs.

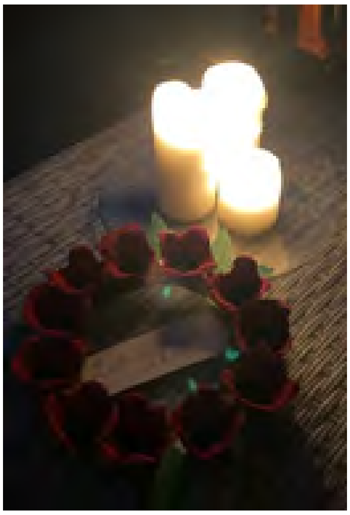
+ Google Play is a trademark of Google LLC.

^ App Store is a trademark of Apple Inc.

For more information, visit
australianmilitarybank.com.au/mra

ANZAC Day in lockdown this year was one we will remember forever.

With ANZAC Day marches being cancelled across the nation, we invited our members to support the RSL ANZAC Day 2020 'Light Up the Dawn' movement. Members shared with us their minutes' silence and candle-lit vigil in their driveway at dawn, to pay their respects to the men and women who have fallen in service of our country.



RSL MONEY

The year unquestionably has had its challenges and our first thoughts go out to all Veterans in our community who may be experiencing challenging times, especially with what is an essential requirement being the support of family and friends during isolation periods.

We thank the Returned and Services League of Australia (RSL) for its ongoing tireless commitment to all Veterans.

2020 marked six years since the launch of RSL Money as a value proposition designed to support our Veterans throughout the RSL. Our desire to improve on that value proposition will be enhanced during 2021, and we look forward to being able to share some exciting new developments as the year progresses. With the current constraints around travel, our goal is to deliver those enhancements via online and digital technologies and guide the RSL community through that as we progress. The positive reception RSL Money received at the NSW and Victorian State Congresses showed that there was a real appetite to support the RSL Money brand and the benefits it gives to Sub-Branch members and the Sub-Branches themselves.

RSL Money's offerings again proved very popular and a record year was experienced around sub-branches and Veterans locking in their funds during these times of uncertainty. The importance continues of communicating the Government Guarantee for individual investors as it is applicable through RSL Money, and that does give peace of mind for all.

Veteran engagement will be a key priority for the RSL Money brand throughout the coming year, and we look forward to catching up with many members of the RSL community during this time to share with you all some exciting new initiatives that we have planned.

Ann Roach (Centre) is pictured here with long standing Australian Military Bank members, Acting President RSL NSW Mr Ray James JP (Left) and State President Central Council of RSL Auxiliaries Mrs Pauline James (Right).

RSL Money is a business name of Australian Military Bank Ltd ABN 48 087 649 741 AFSL and Australian Credit Licence Number 237 988.

INDEPENDENT AUDITOR'S REPORT AND INDEPENDENCE DECLARATION

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

To the Directors of Australian Military Bank Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Australian Military Bank Limited for the financial year ended 30 June 2020 there have been:

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

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

KPMG

Brendan Twining

Partner

Sydney

30 September 2020

Independent Auditor's Report

To the Members of Australian Military Bank Limited

Opinions

We have audited the ***Financial Report*** of Australian Military Bank Limited (the Company) and the ***Financial Report*** of the Group.

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

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

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

- Statements of financial position as at 30 June 2020;
- 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; and
- Directors' Declaration.

The ***Group*** consists of the Australian Military Bank Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinions

We conducted our 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 opinions.

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 Company and 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* (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 Australian Military Bank Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

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

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

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of the Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Company and Group'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/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Reports

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Reports is located at the *Auditing and Assurance Standards Board* website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our Auditor's Report.

KPMG

KPMG

Brendan Twining

Partner

Sydney

30 September 2020

FINANCIAL STATEMENTS

Statements of profit or loss and other comprehensive income

For the year ended 30 June 2020

		CONSOLIDATED		PARENT	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest revenue	3	48,920	54,066	48,920	54,066
Interest expense	4	(19,834)	(26,078)	(19,834)	(26,078)
Net interest income		29,086	27,988	29,086	27,988
Fee commission and other income	3	5,891	5,979	5,891	5,979
Net operating income before expenses		34,977	33,967	34,977	33,967
Operating expenses					
Fee and commission expenses		(4,766)	(4,020)	(4,766)	(4,020)
Impairment and other losses	4	(2,230)	(564)	(2,230)	(564)
Employees compensation and benefits expenses		(14,129)	(13,393)	(14,129)	(13,393)
Administration expenses		(2,979)	(3,113)	(2,979)	(3,113)
Information technology		(3,517)	(3,043)	(3,517)	(3,043)
Office occupancy expenses		(676)	(1,466)	(676)	(1,466)
Depreciation and amortisation	4	(1,752)	(945)	(1,752)	(945)
Other operating expenses		(1,418)	(1,578)	(1,418)	(1,578)
Profit before income tax expense		3,510	5,845	3,510	5,845
Income tax expense	5	(1,041)	(1,695)	(1,041)	(1,695)
Profit after income tax expense for the year attributable to the members of Australian Military Bank Limited		2,469	4,150	2,469	4,150
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss Gain/(losses) on cash flow hedges taken to equity Items (net of tax)		82	(646)	82	(646)
Other comprehensive income for the year, net of tax		82	(646)	82	(646)
Total comprehensive income for the year attributable to the members of Australian Military Bank Limited		**2,551**	**3,504**	**2,551**	**3,504**

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Statements of financial position

As at 30 June 2020

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
Assets					
Cash and cash equivalents	6	38,084	21,833	38,084	21,833
Other financial assets	7	198,447	195,071	198,447	195,071
Receivables and other assets	8	4,963	3,604	4,963	3,604
Loans to members	9	1,193,228	1,139,186	1,193,228	1,139,186
Other loans	11	17,001	20,443	17,001	20,443
Property, plant and equipment	12	842	1,246	842	1,246
Right-of-use assets	13	2,196	-	2,196	-
Deferred tax assets	15	1,512	1,474	1,512	1,474
Intangible assets	14	2,949	2,857	2,949	2,857
Income tax refund due		1,899	1,601	1,899	1,601
Total assets		1,461,121	1,387,315	1,461,121	1,387,315
Liabilities					
Borrowings from financial and other institutions	16	35,403	35,000	35,403	35,000
Deposits	17	1,311,949	1,239,955	1,311,949	1,239,955
Creditors, accruals and other liabilities	18	11,349	14,598	11,349	14,598
Lease liabilities		3,043	-	3,043	-
Provision for deferred lease incentives		-	821	-	821
Employee benefits		1,176	1,158	1,176	1,158
Total liabilities		1,362,920	1,291,532	1,362,920	1,291,532
Net assets		**98,201**	**95,783**	**98,201**	**95,783**
Equity					
Reserves	19	239	1,106	239	1,106
Retained earnings		97,962	94,677	97,962	94,677
Total equity		**98,201**	**95,783**	**98,201**	**95,783**

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of changes in equity

For the year ended 30 June 2020

Consolidated and parent	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2018	1,624	90,655	92,279
Profit after income tax expense for the year	-	4,150	4,150
Other comprehensive income for the year, net of tax	(646)	-	(646)
Total comprehensive income for the year	(646)	4,150	3,504
Transactions with members in their capacity as members: Transfer from retained earnings to general reserve for credit losses (note 19)	128	(128)	-
Balance at 30 June 2019	**1,106**	**94,677**	**95,783**

Consolidated and parent	RESERVES $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 1 July 2019	1,106	94,677	95,783
Adjustment for adoption of AASB 16 (note 2)	-	(133)	(133)
Balance at 1 July 2019 - restated	1,106	94,544	95,650
Profit after income tax expense for the year	-	2,469	2,469
Other comprehensive income for the year, net of tax	82	-	82
Total comprehensive income for the year	82	2,469	2,551
Transactions with members in their capacity as members: Transfer to retained earnings from general reserve for credit losses (note 19)	(949)	949	-
Balance at 30 June 2020	**239**	**97,962**	**98,201**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	PARENT 2020 $'000	PARENT 2019 $'000
Cash flows from operating activities					
Profit before income tax expense for the year		3,510	5,845	3,510	5,845
Adjustments for:					
Depreciation and amortisation		1,752	945	1,752	945
Impairment and other losses		2,230	564	2,230	564
Interest revenue		(48,920)	(54,066)	(48,920)	(54,066)
Interest expense		19,834	26,078	19,834	26,078
		(21,594)	(20,634)	(21,594)	(20,634)
Change in operating assets and liabilities:					
Increase in prepayments		(151)	(156)	(151)	(156)
Increase in sundry receivables		(1,488)	(968)	(1,488)	(968)
Increase in loan balances		(56,127)	(22,316)	(56,127)	(22,316)
Decrease/(increase) in other loans		3,292	(6,265)	3,292	(6,265)
Increase in deposit balances		71,994	6,090	71,994	6,090
Increase/(decrease) in other provisions		18	(58)	18	(58)
(Decrease)/increase in accrued expenses		(1,806)	2,334	(1,806)	2,334
		(5,862)	(41,973)	(5,862)	(41,973)
Interest received		49,200	54,437	49,200	54,437
Interest expense paid		(21,165)	(25,716)	(21,165)	(25,716)
Income taxes paid		(1,355)	(3,787)	(1,355)	(3,787)
Net cash from/(used in) operating activities		20,818	(17,039)	20,818	(17,039)
Cash flows from investing activities					
Increase in other financial assets		(3,371)	(9,260)	(3,371)	(9,260)
Payments for property, plant and equipment		(294)	(198)	(294)	(198)
Payments for intangibles		(414)	(249)	(414)	(249)
Net cash used in investing activities		(4,079)	(9,707)	(4,079)	(9,707)
Cash flows from financing activities					
Decrease/(Increase) in hedging derivatives		13	(1,151)	13	(1,151)
Proceeds from borrowings		35,403	35,000	35,403	35,000
Repayment of borrowings		(35,000)	(5,000)	(35,000)	(5,000)
Repayment of lease liabilities		(904)	-	(904)	-
Net cash from/(used in) financing activities		(488)	28,849	(488)	28,849
Net increase in cash and cash equivalents		16,251	2,103	16,251	2,103
Cash and cash equivalents at the beginning of the financial year		21,833	19,730	21,833	19,730
Cash and cash equivalents at the end of the financial year	**6**	**38,084**	**21,833**	**38,084**	**21,833**

The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. General information

The financial statements cover both Australian Military Bank Limited ('company' or 'parent entity') as an individual entity and the consolidated entity consisting of Australian Military Bank Limited and the entities it controlled at the end of, or during, the year (collectively referred to as the 'Bank' or 'consolidated entity'. The financial statements are presented in Australian dollars, which is Australian Military Bank Limited's functional and presentation currency.

Australian Military Bank Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 18, 45 Clarence Street
Sydney, NSW 2000

A description of the nature of the Bank's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 September 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Bank has adopted all applicable new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the Bank:

AASB 16 Leases

The Bank has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Practical expedients applied

In adopting AASB 16, the Bank has used the following practical expedients permitted by the standard:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounted for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluded initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- not to apply AASB 16 to contracts that were not previously identified as containing a lease.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on the statement of financial position as at 1 July 2019 was as follows (increase/(decrease)):

	1 July 2019 $'000
Assets	
Right-of-use assets (AASB 16)	2,928
Deferred tax asset	57
Total assets	2,985
Liabilities	
Lease liabilities - current (AASB 16)	897
Lease liabilities - non-current (AASB 16)	3,050
Provisions - deferred lease incentive and other (AASB 117)	(829)
Total liabilities	**3,118**
Equity	
Retained profits	133
Total equity	133

Reconciliation from operating lease commitments disclosure at 30 June 2020 to the opening lease liability at 1 July 2019:

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019 (AASB 117)	5,203
Operating lease commitments discounted based on the weighted average incremental borrowing rate of 1.981% (AASB 16)	(166)
Other transitional adjustments	(1,090)
Lease liability recognised at 1 July 2019	**3,947**

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for equity securities and derivatives which are stated at fair value.

Presentation of the statement of financial position

The financial report presents assets and liabilities on the face of the statement of financial position in decreasing order of liquidity. Information is included in the relevant notes where amounts are expected to be recovered or settled after twelve months.

Parent entity information

These financial statements include the results of both the parent entity and the Bank in accordance with Class Order 10/654, issued by the Australian Securities and Investments Commission.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Military Bank Limited as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Bank are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Bank loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Bank recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Securitisation vehicle

Certain securitisation vehicles sponsored by the Bank under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Bank is exposed to variability of returns from the vehicles through its holding of income units in the vehicles.

Outside the day-to-day servicing of the housing loans (which is carried out by the Bank under a servicing contract), key decisions are usually required only when housing loans in the vehicles go into default. Therefore, in considering whether it has control, the Bank considers whether it manages the key decisions that most significantly affect these vehicles' returns. As a result, the Bank has concluded that it controls these vehicles (refer to note 25).

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial liabilities

The Bank's financial liabilities include borrowings, members' deposits, derivative financial instruments and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss ('FVTPL').

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within interest expense, or non-interest expenses.

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

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

Derivative financial instruments and hedge accounting
Derivative financial instruments are designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness of the gain or loss on the hedging instrument is recognised in profit or loss.

At the time the hedged item is reflected in profit or loss, any gain or loss from the hedging instrument previously recognised in other comprehensive income is reclassified from equity to profit or loss in the same line of the statement of comprehensive income as the recognised hedged item.

Classification and measurement of financial assets
All financial assets are initially measured at fair value adjusted for transaction costs, where applicable.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- FVTPL; and
- fair value through other comprehensive income ('FVOCI')

All income and expenses relating to financial assets that are recognised in profit or loss are presented within net interest income, except for impairment of loans and receivables and bad debts recovered, the net amount of which is recognised in operating expenses.

Business model assessment
The business model reflects how the Bank manages financial assets in order to generate returns. This is assessed at the level which best reflects the manner in which risk and returns are managed, and information is provided to management. The factors considered in determining the business model include:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the financial assets' performance is evaluated and reported to management;
- how the risks within the portfolio are assessed and managed; and
- the frequency, volume, timing for past sales, sales expectations in future periods, and the reasons for such sales.

Assessment of whether contractual cash flows meet the solely payments of principal and interest ('SPPI') test
In making the assessment of whether the contractual cash flows have SPPI characteristics, management considers whether the cashflows represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically comprises compensation for the time value of money, credit risk and other basic lending costs, such as liquidity risk and administrative costs. Where the contractual terms include exposure to risk or volatility that is consistent with a basic lending arrangement, the cash flows would not be considered to be SPPI and the assets would be measured at fair value through profit or loss.

In making the assessment, the Bank considers contingent events that would change the amount and timing of cash flows, prepayment and extension terms, leverage features, terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements), and features that modify consideration of the time value of money.

The Bank is required to differentiate between financial asset debt instruments and financial asset equity instruments.

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, loans, other financial assets and receivables fall into this category of financial instruments.

Financial assets at FVTPL
Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of the Bank's business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Loans to members
Basis of recognition and measurement
All loans are initially recognised at fair value, plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Loans to members are non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that are not intended to sell immediately or in the near term.

Interest earned
Interest income and expense for all financial instruments measured at amortised cost is recognised in the income statement using the effective interest rate method. The effective interest rate ('EIR') methodology is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period.

The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, cash flows are estimated based upon all contractual terms of the financial instrument (for example, prepayment options) but do not consider future credit losses. The calculation includes all fees and other amounts paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

Loan origination fees and discounts
Loan establishment fees and discounts are initially deferred as part of the loan balance and are brought to account as income over the expected life of the loan as interest revenue under the EIR method.

Transaction costs
Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance and are brought to account as a reduction to income over the expected life of the loan and included as part of interest revenue under the EIR method.

Fees on loans
The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Commission income
Commissions represent fees from third parties where the Bank acts as an agent by arranging a third party (e.g. an insurance provider) to provide goods and services to a member. In such cases, the Bank is not primarily responsible for providing the underlying good or service to the member. For trail commission, revenue is recognised on an accruals basis on completion of the referral or when the commission is received.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. There were no changes to any of the business models during the current year.

Expected credit losses

The Bank recognises loss allowances for expected credit losses ('ECL') on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments issued;
- loans to members;
- other loans; and
- other financial assets.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Bank considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Bank does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets
At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- contractual payments as either principal or interest and past due for over 90 days;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise (e.g. hardship); and
- it is becoming probable that the borrower will enter bankruptcy.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments: generally, as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off
Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in impairment losses on loans to members in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Renegotiated loans
Loans which are subject to renegotiated terms are classified as impaired and retained at the full arrears position until repayments based on the renegotiated terms have been observed continuously for a period of six months. Interest accrual will not be brought to account as income until such time as the renegotiated loan is reclassified to non-impaired.

Significant increase in credit risk (Stage 2)
The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of instruments, in particular between wholesale and retail.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if:

- For all counterparties: Payments are overdue for 30 days or greater or the Bank is notified of financial difficulty of the borrower.
- Additionally for wholesale counterparties: if the external credit rating of a rated counterparty has deteriorated since initial recognition.

Credit risk grades
The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

New exposures are allocated to Credit Grade 1 upon initial recognition, as the Bank does not originate credit-impaired exposures.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

TREASURY EXPOSURES	RETAIL LENDING EXPOSURES	ALL EXPOSURES
Data from credit reference agencies, press articles, changes in external credit ratings	Initially allocated to Grade 1 as the bank does not originate credit impaired exposures. May be moved to lower grades based on internally collected data on member behaviour – e.g. overdue payments or notification of financial hardship	Requests for and granting of hardship variation
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

Retail

The retail portfolios are comprised of mortgage lending, personal loans, overdrafts and credit cards.

GRADING	
Grade 1	Low–fair risk (Exposures that are paid up to date or in advance unless Bank judges to be higher risk)
Grade 2	Higher risk (Exposures overdue by less than 30 days or subsidised Home loans in Financial Hardship)
Grade 3	Substandard (Exposures overdue by 30-59 days or non-subsidised Home loans in Financial Hardship)
Grade 4	Doubtful (Exposures overdue by 60-89 days or consumer loans in Financial Hardship)
Grade 5	Default (Exposures overdue by 90 days or greater)

Generating the term structure of PD

Probability of Default ('PD') is an estimate of the proportion of accounts that move from performing to default.

The Bank collects performance and default information about its credit risk exposures analysed by type of product as well as by credit risk grading.

The Bank has collected and analysed historical time series data to generate estimates of the probability of an exposure moving from its current grade to grade 5 (Default) over either a 12-month horizon or the remaining lifetime of the exposure.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant differs for different types of instruments, in particular between wholesale and retail.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if:

- For all counterparties: Payments are overdue for 30 days or greater or the Bank is notified of financial difficulty of the borrower.
- Additionally for wholesale counterparties: if the external credit rating of a rated counterparty has deteriorated since initial recognition.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days pastdue. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or financial hardship, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank applies a probation period of six months during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is at least 90 days past due on their credit obligation to the Bank; or
- it is becoming probable that the borrower will restructure the asset as a result of financial difficulty due to the borrower's inability to pay its credit obligations.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into the measurement of ECL.

The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio. The driver of unemployment rates impacts on different portfolios to different extents. Specifically, portfolios with a high proportion of borrowers employed in essential services are less impacted by forward-looking changes in the unemployment rate.

The key drivers for credit risk for all portfolios are: GDP growth and unemployment rates. Other drivers that were tested but discovered to not have strong correlation with defaults for the Bank include interest rates and housing price movements.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, member retention and other factors not related to a current or potential credit deterioration of the member. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to members in financial difficulties (referred to as 'hardship variations') to maximise collection opportunities and minimise the risk of default. Under the Bank's Collections policy, loan variations are granted on a selective basis if the debtor is currently in default on its debt; or if there is a high risk of the borrower not being able to meet their obligations when they fall due; there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms; and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity and changing the timing of principal and interest payments.

For financial assets modified as part of the Bank's hardship policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar variations. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, hardship is a qualitative indicator of a significant increase in credit risk and an expectation of hardship may constitute evidence that an exposure is credit-impaired. A member needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The Bank treats all applications for hardship, including COVID-19 payment holidays, as being a significant increase in credit risk, and from the time that the borrower applies for hardship modification until either their request is declined and the borrower is determined to be capable of continuing to make payments, or if their variation request is accepted then until they return to making full repayments, all loan facilities for the borrower are treated as Stage 2 for the purpose of calculating the ECL. If a borrower has applied for a hardship variation but then defaults on the negotiated reduced repayments, that loan will then be treated as Stage 3 for the purposes of calculating the ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- economic scenarios;
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of loss and recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset. LGD estimates are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For the Home Loan portfolio (and in 2019 also for the Secured Personal Loan portfolio) the Bank has observed very few instances of loss over the 10-year observation period. Internal data was considered inadequate for statistical modelling, and for these portfolios a benchmark LGD value is used based on the average LGD values published by the four major Australian banks for similar products.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, EADs are based on current exposure plus potential future amounts that are expected to be drawn based on contractual obligations and historical analysis of borrower behaviour.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk. The Bank retains the right to enforce payment of any outstanding exposure after the contractual period has expired. For facilities that remain unpaid after the contractual period has expired, the Bank has applied an expected remaining lifetime of a further 12 months to represent the observed average time that a counterparty would take to repay a facility if they have exceeded their contractual maturity.

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, there is no fixed term or contractual period expiry. The Bank can cancel undrawn commitments with immediate effect but this contractual right is not enforced in the normal day-to-day management, usually only when the Bank becomes aware of an increase in credit risk at the facility level. The expected lifetime of these facilities is taken as 36 months, which is the expected time that would be required to repay the facility once the Bank reduces or cancels ongoing credit limits and converts the exposure to a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- date of initial recognition; and
- remaining term to maturity.

The groupings are subject to periodic review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

PORTFOLIO	EXPOSURE ($'000)	BENCHMARK USED - LGD 2020	BENCHMARK USED - LGD - 2019
Mortgages	1,132,912	Average of four major Australian banks	Average of four major Australian banks
Secured Personal Loans	30,514	Internal benchmark for Unsecured Personal Loans	Average of four major Australian banks

Cash and cash equivalents

Cash and cash equivalents include cash on hand and on demand deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The amount of cash and cash equivalent balances held by the entity that are not available for use by the Bank are disclosed in note 6 to the financial statements.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Plant and equipment	3-10 years

Assets less than $1,000 are not capitalised.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Bank. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Due from other financial institutions

Term Deposits and Negotiable Certificates of Deposit with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Bank expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Bank has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Computer software

Significant costs associated with computer software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 9 years.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the incremental borrowing rate. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Provisions

Provisions are recognised when the Bank has a present (legal or constructive) obligation as a result of a past event, it is probable the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Income tax

Australian Military Bank and the Artemis Securitisation Trust Repo Series No.1 is a consolidated group for tax purposes. Australian Military Bank is the head of this tax consolidated group.

The income tax expense shown in the profit or loss is based on the profit before income tax adjusted for any non-tax deductible, or non-assessable items between accounting profit and taxable income.

Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the year in which the benefit will be received or the liability will become payable. These differences are presently recognised at the company tax rate of 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences.

The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation that Australian Military Bank will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit an income tax benefit to be obtained.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances.

Judgement, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2 – Expected credit losses accounting policy and note 10 – Provision for credit losses (for loans and investments), including considerations for COVID-19 impact

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Bank for the annual reporting period ended 30 June 2020. The Bank's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Bank, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Bank has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Bank may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Bank's financial statements.

Note 3. Revenue and income

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Interest revenue				
Cash and cash equivalents	6	6	6	6
Due from other financial institutions	2,620	4,691	2,620	4,691
Loans to members and other loans	46,294	49,369	46,294	49,369
Total interest revenue	**48,920**	**54,066**	**48,920**	**54,066**
Fee, commission and other income				
Fee and commission revenue				
Fee income on loans – other than loan origination fees	1,034	987	1,034	987
Fee income from members' deposits	2,514	2,556	2,514	2,556
Insurance commissions	1,444	1,424	1,444	1,424
Other commissions	624	720	624	720
Total fee and commission revenue	5,616	5,687	5,616	5,687
Other income				
Miscellaneous revenue	275	292	275	292
Total fee commission and other income	**5,891**	**5,979**	**5,891**	**5,979**

Note 4. Expenses

Profit before income tax includes the following specific expenses:

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest expense				
Interest expense on liabilities carried at amortised cost - Deposits	19,447	25,780	19,447	25,780
Interest expense on liabilities carried at amortised cost - Borrowings	317	298	317	298
Interest and finance charges paid/payable on lease liabilities	70	-	70	-
Total interest expense	19,834	26,078	19,834	26,078
Impairment and other losses				
Impairment and other losses Impairment losses on loans to members and other loans:				
(Decrease)/increase in provision for impairment	487	(562)	487	(562)
Bad debts written off directly against profit	1,563	1,380	1,563	1,380
Bad debts recovered	(247)	(254)	(247)	(254)
Total impairment losses on loans to members and other loans	1,803	564	1,803	564
Other losses	427	-	427	-
Total impairment and other losses	**2,230**	**564**	**2,230**	**564**
Depreciation and amortisation expense includes:				
Depreciation of plant and equipment	207	188	207	188
Depreciation of leasehold improvements	149	183	149	183
Depreciation of right-of-use assets	732	-	732	-
Amortisation of software	664	574	664	574
Total depreciation and amortisation	1,752	945	1,752	945
Superannuation expense (included in Employees compensation and benefits expenses)				
Defined contribution superannuation expense	967	946	967	946

Note 5. Income tax expense

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Income tax expense				
Current tax	1,114	1,428	1,114	1,428
Deferred tax - origination and reversal of temporary differences (note 15)	(73)	267	(73)	267
Aggregate income tax expense	**1,041**	**1,695**	**1,041**	**1,695**
Numerical reconciliation of income tax expense and tax at the statutory rate				
Profit before income tax expense	3,510	5,845	3,510	5,845
Tax at the statutory tax rate of 30%	1,053	1,754	1,053	1,754
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Others	(12)	(59)	(12)	(59)
Income tax expense	**1,041**	**1,695**	**1,041**	**1,695**

Note 6. Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Cash on hand	1,847	1,704	1,847	1,704
Deposits on call	36,237	20,129	36,237	20,129
	38,084	**21,833**	**38,084**	**21,833**

Included within cash and cash equivalents at 30 June 2020 is $12,747,705 and $110,070 of liquidity and expense reserve respectively (2019: $4,172,438 and $110,070) held within Artemis Securitisation Trust Repo Series No. 1 (Artemis Trust), which is a self-securitisation for liquidity.

Note 7. Other financial assets

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Due from other financial institutions at amortised cost				
Negotiable Certificate of Deposits	82,319	84,309	82,319	84,309
Floating rate notes	56,119	57,503	56,119	57,503
Government bonds	45,189	33,452	45,189	33,452
Term deposits	14,790	19,777	14,790	19,777
	198,417	195,041	198,417	195,041
Equity investment securities designated as FVTPL				
Shared Lending Pty Ltd shareholding	28	28	28	28
CUSCAL	2	2	2	2
	198,447	**195,071**	**198,447**	**195,071**

Refer to note 22 for further information on fair value measurement.

Note 8. Receivables and other assets

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Interest receivable on deposits with other financial institutions	539	819	539	819
Prepayments	336	185	336	185
Sundry debtors and settlement accounts	4,088	2,600	4,088	2,600
	4,963	**3,604**	**4,963**	**3,604**

Note 9. Loans to members

Loans to members comprise of financial assets at amortised cost

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Loans to members	1,195,050	1,140,610	1,195,050	1,140,610
Add: Unamortised loan origination expenses	542	598	542	598
Less: Unearned income	(17)	(17)	(17)	(17)
Subtotal[1]	1,195,575	1,141,191	1,195,575	1,141,191
Less: Allowance for expected credit losses	(2,347)	(2,005)	(2,347)	(2,005)
	1,193,228	**1,139,186**	**1,193,228**	**1,139,186**

[1]$1,031,525,504 (2019: $1,032,973,642) is expected to be received more than 12 months after the reporting date for the consolidated entity.

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Loans to members comprises				
Overdrafts and revolving credit	15,503	20,032	15,503	20,032
Term loans	1,179,547	1,120,578	1,179,547	1,120,578
	1,195,050	**1,140,610**	**1,195,050**	**1,140,610**
Credit quality - security held against loans				
Secured by mortgage over real estate	1,132,912	1,070,512	1,132,912	1,070,512
Partly secured by vehicle mortgage	30,514	31,936	30,514	31,936
Wholly unsecured	31,624	38,162	31,624	38,162
	1,195,050	**1,140,610**	**1,195,050**	**1,140,610**
It is not practicable to value all collateral as at the reporting date due to the variety of assets and condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows: Security held as mortgage against real estate is on the basis of:				
loan to valuation ratio of less than or equal to 80%	866,418	811,888	866,418	811,888
loan to valuation ratio of more than 80% but mortgage insured	252,761	254,801	252,761	254,801
loan to valuation ratio of more than 80% and not mortgage insured	13,733	3,823	13,733	3,823
Total	**1,132,912**	**1,070,512**	**1,132,912**	**1,070,512**
Loan to valuation ratio ('LVR') is calculated as the ratio of current loan balance and the valuation of the collateral at the time the mortgage was funded.				
Concentration of loans by purpose				
Loans to members				
Residential mortgage loans	1,132,912	1,070,512	1,132,912	1,070,512
Personal loans	46,739	50,066	46,739	50,066
Credit cards and overdrafts	15,399	20,032	15,399	20,032
Total[2]	**1,195,050**	**1,140,610**	**1,195,050**	**1,140,610**

[2]Included as part of term loans as at 30 June 2020 were securitised loans of $608,211,123 (2019: $198,559,844) in Artemis Trust that were consolidated as part of the Bank and at the parent entity level did not achieve de-recognition under AASB 9.

Ageing profile of loans to members

The ageing profile of loans from members is as follows:

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current not overdue	1,190,874	1,135,911	1,190,874	1,135,911
Up to 89 days	1,517	1,910	1,517	1,910
90 days to 180 days	866	830	866	830
181 days to 272 days	459	483	459	483
273 days to 364 days	337	355	337	355
365 days and over	997	1,121	997	1,121
	1,195,050	**1,140,610**	**1,195,050**	**1,140,610**

Note 10. Provision for expected credit losses

Amounts arising from ECL

The loss allowances as of the year end by class of exposure/asset are summarised in the table below.

	GROSS CARRYING VALUE	ECL ALLOWANCE	CARRYING VALUE	GROSS CARRYING VALUE	ECL ALLOWANCE	CARRYING VALUE
Consolidated and parent	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**
Loans to members						
Mortgages	1,132,912	641	1,132,271	1,070,512	60	1,070,452
Personal	46,739	1,052	45,687	50,066	1,194	48,872
Credit cards and overdrafts	15,399	654	14,745	20,032	751	19,281
Total loans to members	1,195,050	2,347	1,192,703	1,140,610	2,005	1,138,605
Other loans						
Marketplace lending	17,588	587	17,001	20,880	437	20,443
Other financial assets						
Due from other financial institutions	198,461	44	198,417	195,089	48	195,041
Deposits at call	36,237	-	36,237	20,131	2	20,129
Total other financial assets	234,698	44	234,654	215,220	50	215,170
Total	**1,447,336**	**2,978**	**1,444,358**	**1,376,710**	**2,492**	**1,374,218**

Included in the amount is $4,000 (2019: $2,000) provision for loan commitments with the carrying value of $126,276,000 (2019: $93,347,000). Loan commitments are all classified as stage 1 assets.

An analysis of the Bank's credit risk exposure per class of financial assets and stage without reflecting the effects of any collateral or other credit enhancements is demonstrated in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	STAGE 1 CARRYING VALUE	STAGE 1 12 MONTH ECL	STAGE 2 CARRYING VALUE	STAGE 2 12 MONTH ECL	STAGE 3 CARRYING VALUE	STAGE 3 12 MONTH ECL	TOTAL CARRYING VALUE	TOTAL ECL
Consolidated and parent	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**
Loans to members								
Mortgages	1,095,317	305	34,962	218	2,633	118	1,132,912	641
Personal	44,989	473	820	104	930	475	46,739	1,052
Overdrafts	14,421	378	359	44	619	232	15,399	654
Total loans to members	1,154,727	1,156	36,141	366	4,182	825	1,195,050	2,347
Other loans	16,547	352	802	94	239	141	17,588	587
Other financial assets	198,461	44	-	-	-	-	198,461	44
Deposits on call	36,237	-	-	-	-	-	36,237	-
Total	**1,405,972**	**1,552**	**36,943**	**460**	**4,421**	**966**	**1,447,336**	**2,978**

	STAGE 1 CARRYING VALUE	STAGE 1 12 MONTH ECL	STAGE 2 CARRYING VALUE	STAGE 2 12 MONTH ECL	STAGE 3 CARRYING VALUE	STAGE 3 12 MONTH ECL	TOTAL CARRYING VALUE	TOTAL ECL
Consolidated and parent	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**
Loans to members								
Mortgages	1,063,816	32	6,501	19	195	9	1,070,512	60
Personal	48,453	444	440	116	1,173	634	50,066	1,194
Overdrafts	18,509	342	530	114	993	295	20,032	751
Total loans to members	1,130,778	818	7,471	249	2,361	938	1,140,610	2,005
Other loans	20,244	199	260	68	376	170	20,880	437
Other financial assets	195,089	48	-	-	-	-	195,089	48
Deposits on call	20,131	2	-	-	-	-	20,131	2
Total	**1,366,242**	**1,067**	**7,731**	**317**	**2,737**	**1,108**	**1,376,710**	**2,492**

The reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument is shown in the table below.

	STAGE 1 12 MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Consolidated and parent	**2020 $'000**	**2020 $'000**	**2020 $'000**	**2020 $'000**
Loans to members and other loans				
Balance as at 30 June 2019	1,017	317	1,108	2,442
Change in the loss allowance	491	143	(142)	492
Balance at 30 June 2020	1,508	460	966	2,934
Other financial assets				
Balance as at 30 June 2019	50	-	-	50
Change in the loss allowance	(6)	-	-	(6)
Balance at 30 June 2020	44	-	-	44
Total	**1,552**	**460**	**966**	**2,978**

	STAGE 1 12 MONTH ECL	STAGE 2 LIFETIME ECL	STAGE 3 LIFETIME ECL	TOTAL
Consolidated and parent	**2019 $'000**	**2019 $'000**	**2019 $'000**	**2019 $'000**
Loans to members and other loans				
Balance on initial application of AASB 9 – balance as at 1 July 2018	1,247	845	923	3,015
Change in the loss allowance	(230)	(528)	185	(573)
Balance at 30 June 2019	1,017	317	1,108	2,442
Other financial assets				
Balance on initial application of AASB 9 – balance as at 1 July 2018	40	-	-	40
Change in the loss allowance	10	-	-	10
Balance at 30 June 2019	50	-	-	50
Total	**1,067**	**317**	**1,108**	**2,492**

Key assumptions and judgements

Key assumptions and judgements adopted in estimating ECL are presented below. Details on the Bank's policy on determining these assumptions, including judgement involved are presented in note 2.

Probability of default ('PD') and Loss Given Default ('LGD')	2020 %	2019 %
Weighted average PD		
Grade 1: Low–fair risk (Exposures that are paid up to date or in advance unless Bank judges to be higher risk)	0.26%	0.25%
Grade 2: Higher risk (Exposures overdue by less than 30 days or subsidised Home loans in Financial Hardship)	3.73%	3.67%
Grade 3: Substandard (Exposures overdue by 30-59 days or non-subsidised Home loans in Financial Hardship)	27.15%	27.28%
Grade 4: Doubtful (Exposures overdue by 60-89 days or consumer loans in Financial Hardship)	46.22%	70.96%
Grade 5: Default (Exposures overdue by 90 days or greater)	100%	100%
During 2020 the weighted average probability of default for Grades 3 and 4 reduced due to improved collection processes of loans past due 30-89 days.		
Average loss rates (LGD)		
Treasury exposure	1.34%	1.16%
Loans to members		
- home loans	3.28%	3.83%
- personal loans	30.76%	49.52%
- revolving credit	17.90%	24.07%
Market place lending	30.76%	42.24%

LGDs for home loans decreased in 2020 in line with the decrease in the external benchmark used, i.e. the average of the four major Australian banks.

The Bank has changed its assumption regarding the benchmark used for LGD of secured personal loans from the average of the four major Australian banks used in 2019 to the Bank's internal benchmark of unsecured personal loans in 2020. This resulted in a reduction of the 2020 LGD for personal loans.

LGDs for personal loans, revolving credit and marketplace lending also decreased in 2020 due to changing the observation period to loans that are 120 days or more overdue in 2020 compared to loans that are overdue 365 days or more in 2019.

Impact of COVID-19 on the provision for ECL for the financial year ended 30 June 2020

COVID-19 has had a significant impact on the Australian economy. The current and prospective deterioration in the economy due to COVID-19 has resulted in additional considerations in the provision for ECL. During the COVID-19 pandemic beginning from March 2020, the Bank received a higher number of requests for hardship variation than in prior years. The Bank has reassessed its ECL model and taken into account the additional risk factors which have arisen as a result for COVID-19.

In the reassessing the ECL model, the Bank have considered the current and prospective impact of COVID-19 on its member base including:

- job security and earnings potential of its members;
- trends in member behaviour since the outbreak of COVID-19 to date; and
- increased risk of default should the current COVID-19 situation deteriorate.

COVID-19 payment holidays

The Bank has provided support to members impacted by COVID-19 through loan repayment deferrals. As at 30 June 2020, 74 home loans totalling $25.6M have payments reduced or deferred due to COVID-19. These loans are considered the continuations of the existing loans and therefore accounted for as non-substantial modifications. As a result, the loans are not derecognised and new loans are not recognised.

For ECL measurement, the Bank analysed the financial position of borrowers to identify whether these loans on payment reduction or deferral would have been considered to be in default if the variation had not been granted and also considered which facilities were at greater risk of defaulting in the near future. The Bank took into account the financial position of borrowers as at 30 June, and also loan repayment performance subsequent to the year end in identifying facilities of higher risk. Loans that would have been considered to be in default by being at least 90 days past due at 30 June 2020 if not for the payment deferral, and had not returned to making full repayment prior to the preparation of this report have been classified as Stage 3 with a PD of 100%. All other loans that were subject to reduced or deferred repayments at 30 June 2020, as well as any other connected facilities for the same borrowers, have been classified as Stage 2 at 30 June 2020 even if brought back into order after the year end. Within Stage 2, the Bank identified the number of days the loan would be overdue if the repayment variation had not been granted, and applied higher PD's to loans with higher days past due, as they are considered more likely to become defaulted in future. The LGD for loans on payment deferral was not altered, and continued to use the same LGD determined for the overall product type.

Forward looking assumptions

For the year ended 30 June 2020 the bank formulated two economic scenarios which both take into consideration the impact of COVID-19 on various indicators of economic health:

Scenario 1: estimates a more moderate near term impact of COVID-19 on unemployment (peaking at 8.6% in Dec 2020) and GDP (decreasing 4.7% in 2020) due to extended government support, but with restrictions remaining in place for longer causing low confidence this scenario considers a longer recovery time resulting in higher unemployment and lower inflation and GDP growth through to 2023.

Scenario 2: involves a more pronounced near-term impact of COVID-19 on the economy with unemployment peaking at 9.5% and GDP contracting 6% in 2020 with less government support coinciding with an expected easing of most restrictions around late September 2020. The easing of restrictions are expected to increase confidence, investment and household spending in the domestic economy with a slightly faster recovery and better outcomes in 2022.

The Bank determined the probability of each case occurring was 50%. External information considered included economic data and forecasts published by the Reserve Bank of Australia and a selected private-sector economic forecaster.

A review is performed at least annually on the design and expected probability of the scenarios by a committee of the Bank's senior management and technical specialists.

		2020	2021	2022	2023	2024
Unemployment rates	Scenario 1:	8.60%	7.40%	7.00%	6.60%	6.20%
	Scenario 2:	9.00%	7.50%	7.00%	6.60%	6.20%
GDP growth	Scenario 1:	(4.68%)	3.03%	4.06%	3.03%	3.03%
	Scenario 2:	(6.01%)	6.02%	5.40%	3.03%	3.03%
CPI	Scenario 1:	0.67%	2.10%	2.42%	2.42%	2.42%
	Scenario 2:	0.25%	1.25%	2.62%	1.81%	1.81%

For the year ended 30 June 2019 the Bank formulated three economic scenarios: a base case, which assumed that economic conditions will remain substantially unchanged from current conditions; one upside case forecasting moderate economic growth in the short term before stabilising; and one downside stress case forecasting a moderate decline in economic conditions over the forward period. The Bank determined the probability of each case occurring was:

Base case 30%; Upside case 30%; downside case 40%. External information considered included economic data and forecasts published by governmental bodies and the Reserve Bank of Australia, and selected private-sector economic forecasters.

The economic scenarios used as at 30 June 2019 included the following key indicators for Australia for the years ending 31 December 2019 to 2023.

	2019	2020	2021	2022	2023
Unemployment rates	Base 5.4% Upside 5.2% Downside 5.1%	Base 5.4% Upside 5.3% Downside 8.4%	Base 5.4% Upside 5.3% Downside 10.3%	Base 5.4% Upside 5.3% Downside 11.6%	Base 5.4% Upside 5.3% Downside 11.5%
GDP growth	Base 0.00% Upside 1.61% Downside 0.02%	Base 0.00% Upside 2.22% Downside (0.05%)	Base 0.00% Upside 0.00% Downside (0.01%)	Base 0.00% Upside 0.00% Downside 0.00%	Base 0.00% Upside 0.00% Downside 0.02%

Sensitivity analysis of ECL to changes in forward looking assumptions
The Bank's ECL as at 30 June 2020 was based on the key assumptions adopted above, including the forward looking economic assumptions that reflect the impact of COVID-19 on GDP growth, employment rates and CPI.

The following table shows the approximate levels of ECL under 2 more scenarios, holding all other assumptions constant.

	ECL $'000
Upside scenario (see assumptions in the table below)	2,670
Downside scenario (see assumptions in the table below)	3,658

Assumption	Scenario	2020	2021	2022	2023	2024
GDP Growth % pa	Best	(4.7%)	6.1%	4.6%	3.7%	3.1%
	Worst	(7.3%)	3.0%	1.3%	1.2%	1.5%
CPI % pa	Best	0.7%	2.4%	2.1%	2.3%	2.3%
	Worst	(0.1%)	0.8%	(0.2%)	0.7%	1.3%
Unemployment %	Best	8.6%	5.0%	5.5%	5.0%	4.8%
	Worst	9.3%	7.0%	9.5%	10.3%	9.0%

Note 11. Other loans

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Marketplace lending	17,588	20,880	17,588	20,880
Less: provision for impaired loans	(587)	(437)	(587)	(437)
	17,001	**20,443**	**17,001**	**20,443**

Marketplace lending
The Bank invests in loans via marketplace lending platforms in accordance with the Bank's risk appetite. Under these agreements, the Bank provides funding to selected secured and unsecured loan exposures.

Note 12. Property, plant and equipment

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Leasehold improvements - at cost	3,282	3,073	3,282	3,073
Less: Accumulated depreciation	(3,002)	(2,853)	(3,002)	(2,853)
	280	220	280	220
Plant and equipment - at cost	5,446	5,703	5,446	5,703
Less: Accumulated depreciation	(4,884)	(4,677)	(4,884)	(4,677)
	562	1,026	562	1,026
	842	**1,246**	**842**	**1,246**

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPMENT	TOTAL
Consolidated and parent	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	376	745	1,121
Additions	27	171	198
WIP movement	-	298	298
Depreciation expense	(183)	(188)	(371)
Balance at 30 June 2019	220	1,026	1,246
Additions	209	85	294
WIP movement	-	(342)	(342)
Depreciation expense	(149)	(207)	(356)
Balance at 30 June 2020	**280**	**562**	**842**

Note 13. Right-of-use assets

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Land and buildings - right-of-use	2,928	-	2,928	-
Less: Accumulated depreciation	(732)	-	(732)	-
	2,196	-	2,196	-

The Bank leases buildings for its offices and a branch under an agreement of 10 years. The lease has various escalation clauses. On renewal, the terms of the lease will be renegotiated.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	LAND AND BUILDINGS
Consolidated and parent	**$'000**
Balance at 1 July 2019 - initial recognition	2,928
Depreciation expense	(732)
Balance at 30 June 2020	**2,196**

Note 14. Intangible assets

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Software - at cost	7,227	6,471	7,227	6,471
Less: Accumulated depreciation	(4,278)	(3,614)	(4,278)	(3,614)
	2,949	2,857	2,949	2,857

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	SOFTWARE
Consolidated and parent	**$'000**
Balance at 1 July 2018	3,182
Additions	249
Amortisation expense	(574)
Balance at 30 June 2019	2,857
Additions	756
Amortisation expense	(664)
Balance at 30 June 2020	**2,949**

Note 15. Deferred tax assets

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Deferred tax asset comprises temporary differences attributable to:				
Amounts recognised in profit or loss:				
Accrued expenses not deductible until incurred	80	62	80	62
Provisions for impairment on loans	881	747	881	747
Provisions for employee benefits	353	347	353	347
Provisions for other liabilities	(2)	247	(2)	247
Depreciation on fixed assets and intangible assets	(298)	(206)	(298)	(206)
Arising from losses on cash flow hedges	242	277	242	277
Right of use assets	(659)	-	(659)	-
Lease liability	915	-	915	-
Deferred tax asset	**1,512**	**1,474**	**1,512**	**1,474**
Movements:				
Opening balance	1,474	967	1,474	967
Credited/(charged) to profit or loss (note 5)	73	(267)	73	(267)
Credited/(charged) to equity (note 5)	(35)	277	(35)	277
Other	-	497	-	497
Closing balance	**1,512**	**1,474**	**1,512**	**1,474**

Note 16. Borrowings from financial and other institutions

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Borrowings - Term Funding Facility from the RBA	35,403	-	35,403	-
Borrowing from other financial institutions	-	35,000	-	35,000
	35,403	**35,000**	**35,403**	**35,000**

As at 30 June 2020, borrowings consisted of a Term Funding Facility from the Reserve Bank of Australia ('RBA'). The facility has a term of 3 years. Interest rate as at 30 June 2020 is 0.25%. There were no defaults on interest and capital payments on this liability in the current year.

As at 30 June 2019, borrowings from financial institutions consisted of short-term money market placement that matures every 30 or 60 days. Interest rate as at 30 June 2019 is 2.05%. There were no defaults on interest and capital payments on these liabilities in the current or prior year.

The borrowing is secured by $44,000,000 notes issued by Artemis Trust (note 25).

Note 17. Deposits

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Member deposits - at call	630,445	609,687	630,445	609,687
Member deposits - term	535,029	508,662	535,029	508,662
Deposits from other financial institutions	146,372	121,505	146,372	121,505
Members withdrawable shares	103	101	103	101
	1,311,949	**1,239,955**	**1,311,949**	**1,239,955**

There were no defaults on interest and capital payments on these liabilities in the current or prior year.

Member shares are fully paid at $2 each. Members are entitled to vote at the Annual General Meeting ('AGM') and share the remaining net assets of the company in the event of winding up. The shares are redeemable or transferable if the members leave the company. As a mutual bank, no dividend is payable on these shares.

Note 18. Creditors, accruals and other liabilities

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Creditors and accruals	2,247	1,896	2,247	1,896
Interest payable on deposits	5,457	6,788	5,457	6,788
Derivative liability	959	1,063	959	1,063
Sundry creditors	2,686	4,851	2,686	4,851
	11,349	**14,598**	**11,349**	**14,598**

Refer to note 21 for further information on financial risk management objectives and policies.

Note 19. Reserves

	CONSOLIDATED		PARENT	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
General reserve for credit losses	926	1,875	926	1,875
Cash flow hedge reserve	(687)	(769)	(687)	(769)
	239	**1,106**	**239**	**1,106**

General reserve for credit losses
This reserve records amounts maintained to comply with the Prudential Standards set down by APRA. The board has determined this amount is sufficient to cover estimated future credit losses.

Cash flow hedge reserve
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

	GENERAL RESERVE FOR CREDIT LOSSES	CASH FLOW HEDGE RESERVE	TOTAL
Consolidated and parent	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	1,747	(123)	1,624
Transfer from retained earnings to general reserve for credit losses	128	-	128
Losses on cash flow hedges taken on equity terms	-	(923)	(923)
Deferred tax	-	277	277
Balance at 30 June 2019	1,875	(769)	1,106
Transfer to retained earnings from general reserve for credit losses	(949)	-	(949)
Gain on cash flow hedges taken on equity terms	-	117	117
Deferred tax	-	(35)	(35)
Balance at 30 June 2020	**926**	**(687)**	**239**

Note 20. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 21. Financial risk management objectives and policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Bank.

The Bank's risk management focuses on the major areas such as governance risk, liquidity risk, market risk, credit risk, operational risk and strategic risk. Authority flows from the Board of Directors to the Risk Committee and the Audit Committee which are both integral to the management of risk.

The main elements of risk governance are as follows:

Board

This is the primary governing body. It approves the level of risk which the Bank is exposed to and the framework for reporting and mitigating those risks.

Risk Committee

This is a key body in the control of risk. It has representatives from the Board and is supported by management. Regular monitoring is carried out by the Risk Committee through review of operational reports to confirm whether risks are within the parameters outlined by the Board.

The Risk Committee confirms there is a regular review of all operational areas to ensure that risks are being properly mitigated and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Risk Committee monitors compliance with the risk management framework laid out in policy and reports in turn to the Board, where actual exposures to risks are measured against prescribed limits.

Audit Committee

Its key role in relation to risk management is the assessment of the controls that are in place to mitigate risks. The Audit Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit Committee receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Risk Committee for their consideration.

Asset and Liability Committee ('ALCO')

This committee of senior management meets at least monthly and has responsibility for monitoring the Bank's liquidity, market and capital risk exposure, and in particular, ensuring such exposures adhere to, and remain within, the relevant risk limits/risk appetite as articulated in the corresponding Board approved policy.

Credit risk

The Board determines the credit risk of loans in the banking book, ensures provisioning is accurate and determine controls that need to be put in place regarding the authorisation of new loans.

The Chief Risk Officer has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the Chief Executive Officer or the Board. All exposures are checked daily against approved limits, independently of each business unit, and are reported to the Board.

All loans are managed weekly through the monitoring of the scheduled repayments. The status of loans with provisions is reported to the CEO weekly and the Board monthly.

Arrears are strictly controlled. A dedicated credit control team, which reports to the Chief Executive Officer and Board, implements the Bank's credit risk policy. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the statement of financial position date.

Chief Risk Officer:

The Chief Risk Officer is responsible for assisting the Board, Board Risk Committee and Executives to develop and maintain the risk management framework.

Internal audit

Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

Key risk management policies encompassed in the overall risk management framework include:

- Risk management strategy;
- Liquidity risk management plan;
- Capital management plan;
- Market risk management plan;
- Funding plan;
- Credit risk management policy;
- Collections policy;
- Compliance program;
- Data risk management policy; and
- Internal capital adequacy assessment process.

The Bank has undertaken the following strategies to minimise the risks arising from financial instruments:

Market risk

The objective of the Bank's market risk management is to manage and control market risk exposures in order to reduce risk and optimise return.

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Bank's financial condition or results. The Bank is not exposed to currency risk, and other significant price risk. The Bank does not actively trade in the financial instruments it holds on its books. The Bank is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO, which reports directly to the Board.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Bank is only exposed to changes in interest rates.

Cash flow interest rate risk

Cash flow 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 monthly basis and managed using interest rate swaps.

Interest rate risk in the banking book

The Bank is exposed to cash flow interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

In the banking book the most common risk the Bank faces arises from fixed rate assets and liabilities. This exposes the

Bank to the risk of sensitivity should interest rates change.

This risk is considered significant to warrant the use of derivatives to mitigate this risk.

Method of measuring risk
The Bank measures its interest rate risk by the use of a VaR model. The detail and assumptions used are set out below.

Hedging
To mitigate the interest rate risk arising from its banking operations, the Bank has entered into interest rate swaps.

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

The VaR on the banking book was as follows:

	2020	2019
	$	$
VaR	125,135	92,609

The Bank is therefore confident within a 99% confidence level over 365 days that, given the risks as at 30 June, it will not incur a one day loss on its non-trading book of more than the amount calculated above, based on the VaR model used. VaR above is presented in full dollar amount.

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

Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Bank which may result in financial loss. Credit risk arises principally from the Bank's loan book and investment assets.

i. Credit risk - member loans
The analysis of the Bank's loans by class is as follows:

	2020		
Consolidated and parent	CARRYING VALUE	COMMITMENTS	MAXIMUM EXPOSURE
Loan type	**$'000**	**$'000**	**$'000**
Mortgages	1,132,912	102,527	1,235,439
Personal	46,739	3,128	49,867
Credit cards and overdrafts	15,399	20,621	36,020
Total loans	**1,195,050**	**126,276**	**1,321,326**

	2019		
Consolidated and parent	CARRYING VALUE	COMMITMENTS	MAXIMUM EXPOSURE
Loan type	**$'000**	**$'000**	**$'000**
Mortgages	1,070,512	74,124	1,144,636
Personal	50,066	3,475	53,541
Credit cards and overdrafts	20,032	20,744	40,776
Total loans	**1,140,610**	**98,343**	**1,238,953**

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved not advanced, redraw facilities; line of credit facilities; overdraft facilities; credit cards limits). The details are shown in note 23.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are credit worthy (capable of meeting loan repayments).

The Bank has established policies over the:

- credit assessment and approval of loans and facilities covering acceptable risk assessment, responsible lending regulations and security requirements;
- limits of acceptable exposure to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- reassessing and review of the credit exposures on loans and facilities;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired
A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Bank that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds

90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly with personal loans and facilities not secured by registered mortgage over real estate.

If such evidence exists, the estimated recoverable amount of the asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in profit or loss. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

The provisions for impaired exposures relate to the loans to members, and other financial assets. Details are set out in note 10.

Collateral securing loans
A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Bank is exposed should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Note 9 describes the nature and extent of the security held against the loans held as at the reporting date.

Concentration risk - individuals
Concentration risk is a measurement of the Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank's regulatory capital a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The Bank holds no significant concentrations of large exposures to loans to members. Concentration exposures to counter parties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

The Bank's policy on exposures of this size is to insist on an initial Loan to Valuation ratio ('LVR') of no more than 80% and bi-annual reviews of compliance with this policy are conducted.

For loans with LVR of more than 80%, the Bank requires Lender's Mortgage Insurance to protect the Bank from adverse movements in housing market values.

Concentration risk - industry
The Bank has a concentration in the retail lending for members who comprise employees and family in the Defence industry. This concentration is considered acceptable on the basis that Bank was formed to service these members, and the employment concentration is not exclusive.

Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

The Bank has proactively worked with members impacted by COVID-19 by being able to efficiently implement processes around management of members in hardship. The Bank has effectively been able to work with members within the legislated time frames and has provided appropriate assistance by way of loan repayment deferrals, reduction of loan repayments or restructuring of loans.

The Bank has been able to navigate through the current pandemic quite well given the relative minimal impact to of our core member base in relation to their jobs and ongoing income.

The Bank has seen a positive increase over the last few months with volumes of loan applications and loan fundings across all products in particular across personal loans. Home Loans applications and funding volumes continue to be strong with a significant uptake by first home buyers particularly taking advantage of the first home loan deposit scheme.

ii. Credit risk - liquid investments
Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Bank incurring a financial loss. This occurs when a debtor fails to settle their obligations owing to the Bank.

The credit policy is that liquid investments are only made to institutions that are credit worthy based on the assessment of independent credit rating agencies. The risk of losses from liquid investments is reduced by the nature and quality of the financial institutions used and limits to the concentration and amount of individual investments with an institution

The exposure values associated with credit quality (Moody's rating or equivalent) are as follows:

	2020		
Consolidated and parent	**CARRYING VALUE**	**PAST DUE VALUE**	**PROVISION**
Investments with:	**$'000**	**$'000**	**$'000**
Government bonds - rated Aaa	45,189	-	5
Cuscal - rated A-1	14,790	-	9
Banks - rated below Aaa	138,438	-	30
Total	**198,417**	**-**	**44**

	2019		
Consolidated and parent	**CARRYING VALUE**	**PAST DUE VALUE**	**PROVISION**
Investments with:	**$'000**	**$'000**	**$'000**
Government bonds - rated Aaa	33,452	-	5
Cuscal - rated A-1	14,777	-	6
Banks - rated below Aaa	146,812	-	37
Total	**195,041**	**-**	**48**

Liquidity risk

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

The Bank manages liquidity risk by:

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

The Bank's policy is to operate with over 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this range the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, borrowing facilities or contingency funding available. The borrowing facilities as at the reporting date are described in note 24.

Maturity profile of liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal. Financial liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

	2020							
Consolidated and parent	BOOK VALUE	ON DEMAND	UP TO 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	AFTER 5 YEARS	NO MATURITY	TOTAL
Liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Borrowings from financial and other institutions	35,403	-	-	-	35,403	-	-	35,403
Deposits from other financial institutions	146,372	-	144,386	1,986	-	-	-	146,372
Deposits from members - at call	630,548	630,445	-	-	-	-	103	630,548
Deposits from members - term	535,029	-	194,118	281,077	59,834	-	-	535,029
Creditors and other liabilities	8,537	7,578	73	80	806	-	-	8,537
Lease liabilities	3,034	-	252	755	2,139	-	-	3,146
Total Financial Liabilities	**1,358,923**	**638,023**	**338,829**	**283,898**	**98,182**	**-**	**103**	**1,359,035**

	2019							
Consolidated and parent	BOOK VALUE	ON DEMAND	UP TO 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	AFTER 5 YEARS	NO MATURITY	TOTAL
Liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Borrowings from financial and other institutions	35,000	-	35,075	-	-	-	-	35,075
Deposits from other financial institutions	121,505	-	104,963	16,953	-	-	-	121,916
Deposits from members - at call	609,788	609,687	-	-	-	-	101	609,788
Deposits from members - term	508,662	-	214,777	258,556	41,670	-	-	515,003
Creditors and other liabilities	9,343	8,280	-	-	1,063	-	-	9,343
Total Financial Liabilities	**1,284,298**	**617,967**	**354,815**	**275,509**	**42,733**	**-**	**101**	**1,291,125**

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss

The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage these risks to within tolerable limits.

Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes; including the use of Internal Audit.

Due to COVID-19, the Bank enacted its Pandemic Plan as part of the overall Business Continuity Plan. Some of the measures put in place includes:

- Front-office staff on-site in branches with social distancing measures being enforced. Additional physical barriers have also been
- implemented as extra precautions.
- Back-office staff are working from home with scheduled on-site and off-site rosters. Regular touch points with their Manager have also been scheduled.
- The Contact Centre team has been split across locations to manage any potential for the spread of any contagion.

The Bank continues to operate without any major disruption.

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Bank and company are as follows:

	2020		2019	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Consolidated and parent	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and cash equivalents*	38,205	38,205	21,833	21,833
Other financial assets	198,447	198,556	195,071	196,788
Receivables*	4,954	4,954	3,775	3,775
Loans to members	1,192,966	1,194,992	1,139,186	1,137,109
Other loans	17,588	17,616	20,443	18,233
	1,452,160	**1,454,323**	**1,380,308**	**1,377,738**
Financial liabilities				
Borrowings*	35,403	35,403	35,000	35,000
Deposits from other financial institutions	146,372	146,989	121,505	121,711
Deposits from members – at call*	630,445	630,445	609,687	609,687
Deposits from members – term	535,029	535,029	508,662	512,338
Creditors and other liabilities*	8,537	8,537	9,343	9,343
Lease liabilities	3,034	3,034	-	-
	1,358,820	**1,359,437**	**1,284,197**	**1,288,079**

*For these assets and liabilities, the carrying value approximates fair value due to their short term tenor.

Assets where the fair value is lower than the book value have not been written down in the financial statements on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand. The fair values of receivables due from other financial institutions redeemable after 12 months is calculated by utilising discounted cash flow models (.i.e. the net present value of future cash flows).

Loans and advances

The carrying value of loans and advances is net of unearned income and allowance for credit losses.

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related maturity.

Borrowings from financial and other institutions

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

Capital management

APRA has set minimum regulatory capital requirements for the Bank that are consistent with the Basel capital adequacy framework.

The Bank's capital structure comprises various forms of capital. Common Equity Tier 1 ('CET1') capital comprises retained earnings plus certain other items recognised as capital. The ratio of such capital to risk-weighted assets is called the CET1 ratio. Additional Tier 1 capital comprises certain securities with required loss absorbing characteristics. Together these components of capital make up Tier 1 capital and the ratio of such capital to risk-weighted assets is called Tier 1 capital ratio.

Tier 2 capital mainly comprises of the general reserve for credit losses and contributes to the overall capital framework.

CET1 capital contains the highest quality and most loss absorbent component of capital, followed by Additional Tier 1 capital, and then followed by Tier 2 capital. The sum of Tier 1 capital and Tier 2 capital is called Total Capital. The ratio of Total Capital to risk-weighted assets is called the Total Capital Ratio. The minimum CET1 ratio, Tier 1 capital ratio, and Tier 2 capital ratio under APRA's Basel capital adequacy Prudential Standards are 4.5%, 6%, and 8% respectively.

In addition to the minimum total capital base ratio described above, APRA sets a Prudential Capital Ratio at a level proportional to an ADI's overall risk profile. A breach of the required ratios under the prudential standards may trigger legally enforceable directions by APRA, which can include a direction to raise additional capital or cease business.

APRA also implemented a capital conservation buffer of 1.5% of an ADI's total risk-weighted assets. Capital ratios are monitored against internal capital targets set by the Board that are over and above APRA's minimum capital requirements.

As at 30 June 2020 and 30 June 2019, the Bank's capital ratio complied with its required Prudential Capital Ratio.

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the Bank's and company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Consolidated and parent - 2020	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Other financial assets (note 7)	-	-	30	30
Total assets	-	-	30	30
Liabilities				
Trade and other payables - derivative liability (note 18)	-	959	-	959
Total liabilities	-	959	-	959

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Consolidated and parent - 2019	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Other financial assets (note 7)	-	-	30	30
Total assets	-	-	30	30
Liabilities				
Trade and other payables - derivative liability (note 18)	-	1,063	-	1,063
Total liabilities	-	1,063	-	1,063

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Unquoted investments have been valued using a discounted cash flow model.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	OTHER FINANCIAL ASSETS
Consolidated and parent	**$'000**
Balance at 1 July 2018	21
Gains recognised in profit or loss	9
Balance at 30 June 2019	30
Balance at 30 June 2020	**30**

Note 23. Commitments

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Outstanding loan commitments				
The loans approved but not funded	19,972	4,996	19,972	4,996
Loan redraw facilities				
The loan redraw facilities available	85,683	72,603	85,683	72,603
Undrawn loan facilities				
Loan facilities available to members for overdrafts and line of credit loans are as follows:				
Total value of facilities approved	36,020	40,776	36,020	40,776
Less: Amount advanced	(15,399)	(20,032)	(15,399)	(20,032)
Net undrawn value	20,621	20,744	20,621	20,744
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.				
Total financial commitments	**126,276**	**98,343**	**126,276**	**98,343**

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Expenditure commitments				
Australian Military Bank has entered into future contractual obligations for which the amount is to be paid over the following periods:				
Within 1 year	1,300	1,315	1,300	1,315
Later than one year but not later than five years	5,200	5,200	5,200	5,200
Over five years	-	1,300	-	1,300
	6,500	7,815	6,500	7,815
Lease commitments - operating				
Committed at the reporting date but not recognised as liabilities,				
Within 1 year	-	1,240	-	1,240
Later than one year but not later than five years	-	3,963	-	3,963
	-	5,203	-	5,203

Operating lease commitments were disclosed under the requirements of AASB 117 'Leases'. AASB 117 was superseded by AASB 16 'Leases' effective 1 July 2019 and operating leases are no longer disclosed.

Note 24. Standby borrowing facilities

Australian Military Bank has a number of borrowing facilities.

	GROSS	CURRENT BORROWING	NET AVAILABLE
Consolidated and parent - 2020	**$'000**	**$'000**	**$'000**
Overdraft facility - Cuscal	3,000	-	3,000
Loan facility - Other	50,000	7,504	42,496
Total standby borrowing facilities	**53,000**	**7,504**	**45,496**

	GROSS	CURRENT BORROWING	NET AVAILABLE
Consolidated and parent - 2019	**$'000**	**$'000**	**$'000**
Overdraft facility - Cuscal	3,000	-	3,000
Loan facility - Other	50,000	8,900	41,100
Total standby borrowing facilities	**53,000**	**8,900**	**44,100**

Withdrawal of the overdraft facility is subject to the availability of funds at Cuscal. Cuscal holds a deposit from Australian Military Bank as security against overdraft amounts drawn under the facility arrangement. The Bank has a facility with Bendigo and Adelaide Bank to sell qualifying mortgage loans either individually at origination or by way of a portfolio sale.

Note 25. Securitisation vehicle

The Bank enters into transactions by which it transfers financial assets which are eligible mortgages to a special purpose entity, Artemis Trust, for the sole purpose of repurchase with the Reserve Bank of Australia under its liquidity management policy. Financial assets do not qualify for derecognition. The following table sets out the carrying amount of financial assets that did not qualify for derecognition and their associated liabilities. Where relevant, the table also sets out the net position of the fair value of financial assets where the counterparty to the associated liabilities has recourse only to the transferred assets.

	CONSOLIDATED		PARENT	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Carrying amount of transferred assets	-	-	608,211	198,560
Carrying amount of associated liabilities	-	-	(608,211)	(198,560)
Net position	-	-	-	-
The parent holds all the notes issued by Artemis Trust.				
For those liabilities that have recourse only to the transferred assets				
Fair value of transferred assets	-	-	608,498	198,574
Fair value of associated liabilities	-	-	(608,498)	(198,574)
Net position	**-**	**-**	**-**	**-**

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel ('KMP') of the Bank is set out below:

	CONSOLIDATED		PARENT	
	2020 $	**2019 $**	**2020 $**	**2019 $**
Short-term employee benefits	1,494,370	1,288,954	1,494,370	1,288,954
Post-employment benefits	101,293	93,520	101,293	93,520
Long-term benefits	5,385	13,385	5,385	13,385
	1,601,048	**1,395,859**	**1,601,048**	**1,395,859**

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

Loans to KMP

The Bank's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit.

	2020			2019		
	MORTGAGE SECURED	OTHER TERM LOANS	CREDIT CARDS	MORTGAGE SECURED	OTHER TERM LOANS	CREDIT CARDS
	$	$	$	$	$	$
Funds available to be drawn	-	-	12,789	-	-	18,629
Balance	902,601	57,688	9,211	1,710,276	-	3,371
Amounts disbursed or facilities increased in the year	-	60,000	-	903,055	-	-
Interest and other revenue earned	48,013	1,111	678	66,055	-	2,946

Other transactions between related parties include deposits from Directors, and other KMP are:

	2020	2019
	$	$
Total value term and savings deposits from KMP	528,108	587,879
Total interest paid on deposits to KMP	10,345	10,340

The Bank's policy for receiving deposits from KMP is that all transactions are approved, and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of Directors, and other KMP.

The Bank's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMP.

There are no service contracts to which KMP or their close family members are an interested party.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the company:

	CONSOLIDATED		PARENT	
	2020 $	2019 $	2020 $	2019 $
Audit services - KPMG				
Audit or review of the financial statements	135,000	150,000	135,000	150,000
Assurance services - KPMG				
Regulatory assurance services	70,000	30,000	70,000	30,000
Other services				
Taxation	16,600	15,500	16,600	15,500
	221,600	**195,500**	**221,600**	**195,500**

Note 28. Outsourcing arrangements

The bank has arrangements with other organisations to facilitate the supply of services to members.

Cuscal Limited

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

This organisation:

(i) provides the license rights to Visa Card in Australia and settlement with Bankers for ATM, Visa Card and cheque transactions, direct entry transactions, as well as the production of Visa cards for use by members; and

(ii) operates the computer network used to link Visa cards operated through approved ATM providers to the Bank's Electronic Data Processing systems.

The Bank invests part of its liquid assets with Cuscal.

Transaction Solutions Pty Limited

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

Infosys Technologies Limited

Provides banking platform services and technology consulting services to the Bank.

Note 29. Changes in liabilities arising from financing activities

	BORROWINGS FROM FINANCIAL INSTITUTIONS	DERIVATIVES	LEASE LIABILITIES	TOTAL
Consolidated and parent	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2018	5,000	123	-	5,123
Net cash from/(used in) financing activities	30,000	(1,151)	-	28,849
Others	-	2,091	-	2,091
Balance at 30 June 2019	35,000	1,063	-	36,063
Net cash from/(used in) financing activities	403	13	(904)	(488)
Additions	-	-	3,947	3,947
Others	-	(117)	-	(117)
Balance at 30 June 2020	35,403	959	3,043	39,405

Note 30. Contingent liabilities

There are no contingent liabilities as at 30 June 2020 and 30 June 2019.

Note 31. Events after the reporting period

The impact of the Coronavirus ('COVID-19') pandemic is ongoing. Subsequent to the year end the Bank experienced a reduction in loans with COVID-19 related repayment deferrals. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. Where practicable, the Bank has considered the potential impact of COVID-19 in preparing these financial statements, including estimating the impact on the expected credit losses. The Bank continues to monitor the potential impact of COVID-19 on its members, operations and financial position and performance. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Bank's operations, the results of those operations, or the Bank's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's and Bank's financial position as at 30 June 2020 and of their performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

John Robert Brooks
Chair

30 September 2020

Alan Bardwell
Deputy Chair

30 September 2020

Australian Military Bank

Australian Military Bank Limited
Corporate Directory
30 June 2020

DIRECTORS

John Robert Brooks
Alan Bardwell
Sean Patrick FitzGerald
Bruce Andrew Robert Scott, CSC, ADC
Michael Crane DSC & Bar, AM
Jonathan Sadleir AM
Rebecca Tolhurst

CHIEF EXECUTIVE OFFICER

Darlene Mattiske-Wood

COMPANY SECRETARY

Stephanie Vass

REGISTERED OFFICE

Level 18
45 Clarence Street
Sydney NSW 2000

AUDITOR

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International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000

WEBSITE

www.australianmilitarybank.com.au

DEFENCE IMAGE INDEX Source: Department of Defence

1. 3rd Combat Signal Regiment's Corporal Mikayla Gordon, a Repair Parts and Stores (RPS) Supervisor, is pictured in front of an Australian Army 40M Medium truck, during the lead up to the National Reconciliation Week at Lavarack Barracks, Townsville.
2. Air Force Indigenous Liaison Officer Flight Lieutenant Tjapukai Shaw on the cargo ramp of a C-130J Hercules aircraft.
3. MH-60R helicopter 'NOMAD' conducts essential aviation training with HMAS Adelaide at sunset off the coast of Queensland.Australian Army soldier Private Josh Goode assists with the repatriation of the Ruby Princess crew at Sydney International Airport.
4. Australian Army soldier Private Josh Goode assists with the repatriation of the Ruby Princess crew at Sydney International Airport.
5. HMAS Toowoomba crew members line the flightdeck as the ship prepares to berth alongside Fleet Base West in Western Australia, after being deployed for six months on Operation Manitou.Able Seaman Ellie Gamble stands at ease during Fleet Divisions at Garden Island, Sydney.
6. The crew of HMAS Sydney 'cheer ship' inside Jervis Bay, NSW following the ship's commissioning ceremony at sea.Australian Army Reserve's Corporal James Sutherland of the 1/19 Royal New South Wales Regiment in Canberra during Operation COVID-19 Assist.
7. An MH-60R Seahawk helicopter embarked on HMAS Parramatta deploys Counter Measure Dispense System flares during a training flight conducted on a deployment through South East Asia.
8. Environmental portrait of Royal Australian Air Force F/A-18A pilot, Flight Lieutenant (FLTLT) Matthew Holecek from No. 75 Squadron.
9. Australian Army Reserve's Corporal James Sutherland of the 1/19 Royal New South Wales Regiment in Canberra during Operation COVID-19 Assist.
10. Australian Army soldiers from 1st Regiment, Royal Australian Artillery, fire an M777 lightweight towed howitzer at Shoalwater Bay during Exercise Barce 2017.
11. The Air Force Roulettes perform an aerial display in the Pilatus PC-21 during the Tyabb Airshow 2020.
12. Corporal Brodie McIntyre, a Military Working Dog Handler and Military Working Dog Kesha, providing security to an Air Force C-17A Globemaster Aircraft at RAAF Base Darwin.


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