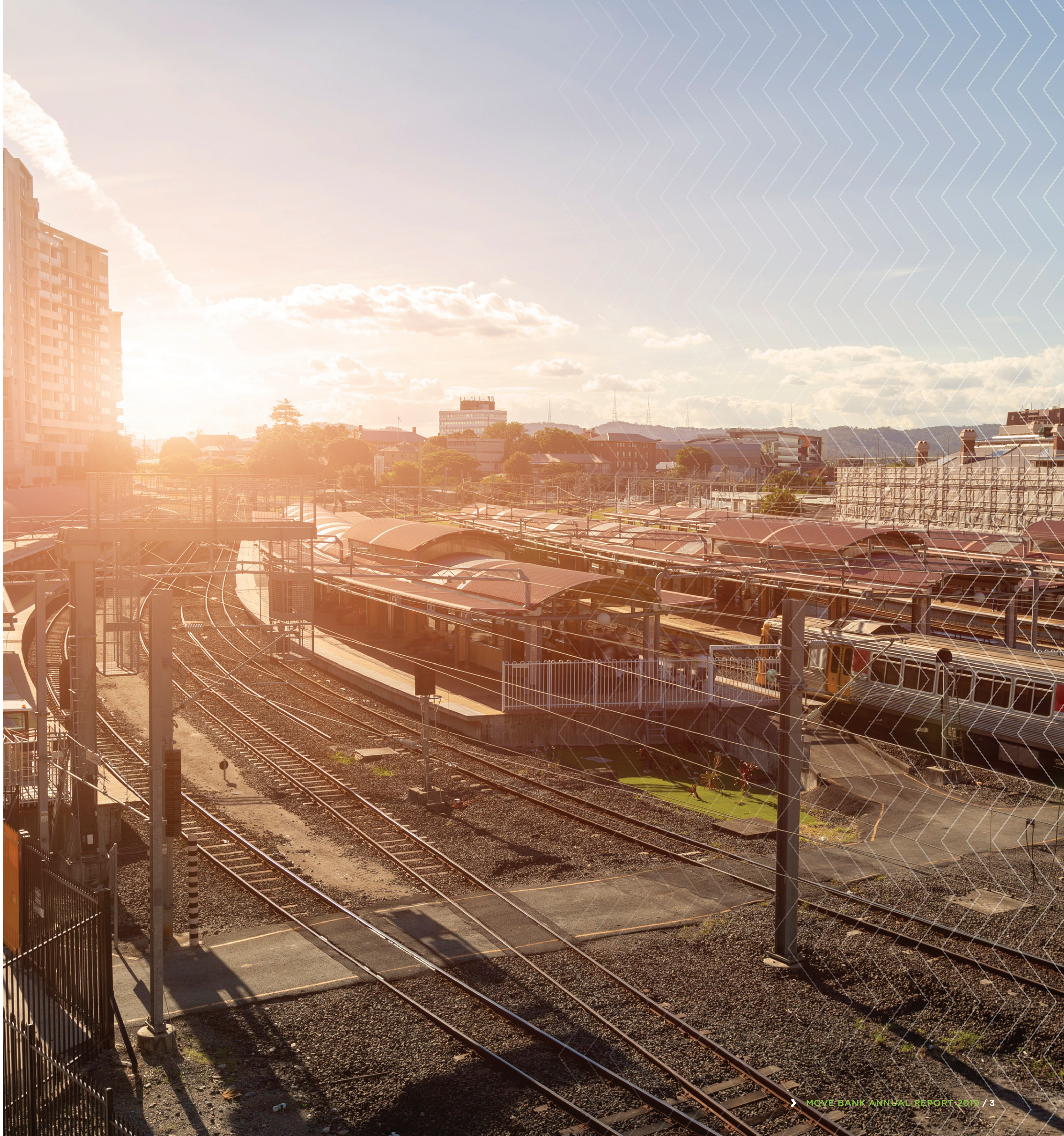
ANNUAL REPORT 2019

MOVE BANK

Railways Credit Union Limited trading as MOVE Bank

Registered Office	Level 1, 179 Ann Street Brisbane QLD 4000
ABN	91 087 651 090
AFSL/Australian credit licence	234536
Postal Address	GPO Box 648, Brisbane QLD 4001
Phone	1300 362 216
Email	info@movebank.com.au
Website	movebank.com.au
Branch	Ground Floor, RC2, Plaza Level Central Station
Auditors	BDO Audit Pty Ltd
Affiliated with	Customer Owned Banking Association
Board of Directors	Andrew Haynes - *Chair* Andrew Hughes Bronwyn Davies Kellie Dyer Mick Skinner Scott Riedel
Executive Team	Therese Turner - *Chief Executive Officer* Bernard Luton - *CRO and Company Secretary* Geoff Ryan – *Chief Information Officer* Jeff Urquhart - *Chief Financial Officer* Nikki Hutson - *Chief People Officer* Rachel Young – *Chief Experience Officer*



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FROM YOUR

Chair

Andrew Haynes

I am pleased to present you with MOVE Bank's Annual Report for the financial year ended 30 June 2019.

The 2018-19 financial year has been a successful one for MOVE Bank, despite significant changes within the banking industry and interest rates continuing to remain at historical lows. Over the past 12 months we have achieved strong asset growth of 9.4% and welcomed record numbers of new members and customers as we continue to build a secure and vibrant future for your bank.

We remain focused on delivering sustainable loan growth and expanding our business into Victoria and New South Wales. We've made significant progress with our expansion into the southern states, and I am pleased to report that 10% of our loan portfolio is now outside Queensland. We have also made good progress toward achieving loan growth targets in the last financial year, with loans funded up 11.5% on the prior year result.

The record low interest rate environment, highly competitive banking landscape and imposed restrictions on investment lending presented challenges to achieving our ambitious growth targets, however, we completed a range of initiatives this year that have both strengthened our banking operations and laid the foundations for sustainable loan growth into the future.

A key initiative for achieving loan growth was the successful establishment of our broker channel. This initiative will allow us to provide value to members and customers through accredited brokers and assist with attracting new members to MOVE Bank. Expansion of the broker channel and our business nationally will play a pivotal role in ensuring the success of MOVE Bank now and in the future.

The release of the final report from the Banking Royal Commission earlier this year shone a light on less favourable practices of some listed banks, and I'm sure many of you were concerned by its findings. The report clearly showed that decisions driven by a culture that puts shareholder profits before people can lead to poor outcomes for customers.

As a MOVE Bank member, you can feel confident knowing that we have a long history of keeping our members' interests at the centre of everything we do. Our role as a responsible lender is a key part of this commitment, as is ensuring that members are not put at risk of future financial hardship as a result of their accounts or facilities. This year we have completed a comprehensive review of our members' accounts to ensure they are still appropriate for their personal circumstances. Focusing mainly on continuing credit facilities, we assisted many members to manage down their debt levels and find better solutions to meet their financial goals.

"As a MOVE Bank member, you can feel confident knowing that we have a long history of keeping our members' interests at the centre of everything we do."

At an organisational level, we took the opportunity to review our values and introduced a Code of Conduct. We engaged with our staff through the development of this code to reinforce our commitment to MOVE Bank's purpose and values. Our values, together with our Code of Conduct, guide the entire MOVE Bank team to ensure we are making decisions that keep our members' best interests at heart.

As part of a review of our overall governance, we implemented APRA's Banking Executive Accountability Regime which saw directors and key managers sign up to individual accountability statements. We also made changes to better align the remuneration framework with our values, with a decision made to remove bonus incentives at every level of the organisation.

The increasing complexity of the financial services industry and the introduction of new players within the digital banking space has highlighted the need for the Board to expand upon its existing skillset. Over the next year, the Board will appoint a director with significant banking experience to ensure that we are well equipped for the times ahead.

The MOVE Bank Board

From left to right:
Kellie Dyer, Scott Riedel, Andrew Haynes (Chair), Andrew Hughes, Bron Davies and Mick Skinner

Our Board

As this is my final report as Chairman, I would like to personally thank members for supporting me in my tenure as Director since 2009 and Chairman since 2016. I would also like to thank my fellow directors for their valuable contributions over the last 12 months, I have been honoured to lead the Board of Directors and MOVE Bank.

We have achieved an enormous amount over the last year, which would not have been possible without the hard work and dedication of our CEO, Therese Turner, her management team, and our entire staff. I look forward to seeing the results of the strategic initiatives and the continuing support of our members in the year ahead.

Andrew Haynes
CHAIR

Our Community

At MOVE Bank, we are member-owned and understand the important part we play in supporting our members and the wider transport community.

In addition to helping our members reach their financial goals, during the year we supported our community by sponsoring industry events and awards, assisted members during disaster events and delivered education through our financial literacy program.

Partnership Highlights

Queensland Rail

This year we strengthened our longstanding relationship with our foundation partner, Queensland Rail, working to deliver value across several events including Rail R U OK? Day, onsite barbeques and education sessions. We are looking forward to increasing our involvement with Queensland Rail over the next year.

The Chartered Institute of Logistics and Transport Australia (CILTA)

We are very proud to support the next generation of leaders in the transport industry, as the sponsor of CILTA's Young Professional of the Year award.

CILTA CEO Karyn Welsh (left) presenting Dr Catherine Lou (right) with the Young Professional of the Year award, sponsored by MOVE Bank.

The latest recipient, Dr Catherine Lou was recognised for her significant achievements and contribution to the broader transport and logistics industry. Catherine joins two other amazing women who have taken out this award over the past three years, demonstrating that women are certainly leading the way in transport and logistics. We look forward to continuing our support of CILTA and recognising young professionals within transport and logistics.

Community Support

Townsville Relief Program

Like many, we were saddened to see the impact of February's flooding on the Townsville community. In response, we launched the Townsville Relief Program to provide assistance to impacted members. The program helped relieve some of the pressure felt by our Townsville members by deferring loan repayments, offering special support with banking and important information for insurance claims and government assistance.

Your Financial Wellness Program

As part of our commitment to improving the financial wellbeing of our members and wider communities, we recently launched the Your Financial Wellness program. Your Financial Wellness is an online program available to all MOVE Bank members and employees of our corporate partners to access tools and resources to gain an understanding of their financial position and strengthen their overall wellbeing.

Our Alliances

The MOVE Bank Executive Team

From left to right:
Rachel Young, Jeff Urquhart, Therese Turner (CEO),
Bernard Luton, Geoff Ryan, Nikki Hutson

Our Executive Team

FROM YOUR CEO

Therese Turner

The last 12 months has been an exciting time at MOVE Bank, and I am pleased to report we have made some great progress on our mission to provide members with truly exceptional banking experiences.

We have continued to successfully implement our strategic plan, delivering improvements across all areas of our operations and enhancing our overall member offering with award-winning products, highly competitive rates, and an equitable fee structure.

At the core of our success is our dedicated MOVE Bank team, who embrace our member-first culture and ensure their interests are at the forefront of everything we do.

Commitment to great-value for members

Our commitment to providing members with great-value, easy-to-use financial products means we are constantly reviewing our offering to ensure products have the features our members want at the most competitive rates possible.

Across the year, we expanded our product offering in response to member feedback and adjusted some of our existing products to ensure they remained competitive. This approach has positioned MOVE Bank as a market leader, with the design and competitiveness of our products continuing to be recognised amongst the best in the marketplace. These high-quality offerings also attracted a record number of people joining MOVE Bank, with 14% of our overall customer base joining within the last year.

Our ability to attract new customers is key to MOVE Bank's ongoing success and has been one of the main drivers for our increase in Total Assets over the year. In addition, we've worked to ensure that our product offering and services are very relevant to the next generation of Australians, with almost 50% of new people joining MOVE Bank aged between 18 to 35 years.

"...they have helped my life goals become a reality." – MOVE Bank Member

Industry Recognition

Over the past twelve months MOVE Bank won a total of 14 awards across our range of home loans, car loans, personal loans and savings accounts, including the prestigious *Money* magazine 2019 'Best of the Best' award for Cheapest Home Loan- Bank and Cheapest Car Loan- Bank. Recent recognition for our new car loan also positions it as one of the most awarded car loans in the Australian market.

We are proud to be recognised as a multi-award-winning financial institution by all of Australia's leading comparison sites. Each comparison site has its own methodology for determining awards, so this recognition demonstrates the consistent and outstanding value our loans and savings products have to offer.

New Products

This year we introduced four new products to our offering. These products have featured frequently in member feedback over the past few years and their introduction addressed some prominent gaps in our offering:

- Low Rate Credit Card
- Bonus Saver
- 2Y Flexi Fixed Rate Home Loan
- 5Y Lockit Fixed Rate Home Loan

Not only has the response to these products been overwhelmingly positive; they are also playing an integral role in attracting new members to MOVE Bank. In particular, our Bonus Saver proved extremely popular and was a key driver of deposit growth.

"Your customer service and understanding of helping people is above and beyond any service I have received before" – MOVE Bank Member

Transaction Fee-Free Banking

Last year we committed to deliver fee-free banking to a greater number of members for their transaction accounts. Since implementing this initiative, the number of members paying fees on their transaction accounts has reduced by 78%, allowing us to give back over $300,000 to members this year and ongoing.

Exceptional Experiences

We are a member-owned bank, so our number one priority is to ensure we are meeting our members' needs. One of the key ways we gauge how well we are doing is by measuring our Net Promoter Score (NPS), which asks members to let us know how likely they are to recommend us to their friends and family.

Our members rated us with a positive score of **+42.25** which confirms that members are very satisfied with MOVE Bank and compares exceptionally well to the major banks whose average score was +2.1[1]. This result also shows that members not only trust us to look after their financial needs – they trust MOVE Bank to look after the people they value most.

+42.25
NET PROMOTER SCORE
FOR SATISFACTION & LOYALTY
v.s. major banks average score of +2.1

Technology Enhancements

We made several enhancements to our technology to ensure that we continue to evolve with our members' changing needs. In November we launched our new responsive website to improve the user experience and make information easier to find. We also added more functionality to our Internet Banking and App services and already have more developments in the pipeline. We will keep improving our digital banking experience over the next 12 months and look forward to sharing exciting new developments later in 2019 which will make banking with us even easier.

"MOVE Bank is constantly keeping up with the industry's progressions and efficiencies" – MOVE Bank Member

[1] Source: Roy Morgan Single Source (Australia) February-July 2019, n=25,046

Awards

Profitable Growth

Our financial performance improved significantly during the year, with strong asset growth of 9.4% and an 85% increase in operating profit, delivering an after-tax profit of $1.7 million. Growth and the turnaround in profitability were key focuses, however, these improved results were limited by a number of external factors from the broader economic environment.

85%
INCREASE IN OPERATING PROFIT

The challenges of record low interest rates, increased competition, and lower credit growth placed pressure on interest margins and impacted our ability to generate revenue at the same levels as the prior year. Our decision to deliver fee-free banking to a greater number of members also reduced income from other revenue streams. While these decisions delivered great member value, it is also important that we generate sufficient profit levels to support future growth and continued enhancements to our members' banking experience.

We worked to offset the expected decline in revenue through substantial reductions in operating expenses, delivering cost savings of $1.5 million to increase operating profit by $800,000. The work began in the prior year with a streamlined management structure, with further cost reductions delivered through operational efficiencies, improved cost and credit control and increased use of technology.

$1.5M
COST SAVINGS ACHIEVED

Demand for loans was strong with overall application volumes up 33% on the prior year. New loans provided to borrowers were close to $100 million, representing an increase of 11.5%. There was also an increase in interstate lending, which delivered the Board target for 10% of the total lending portfolio to be held outside Queensland. Our loan portfolio remained stable at $496 million with borrowers choosing to pay down their loans at an accelerated rate despite low interest rates and MOVE Bank actively assisting members to manage down their reliance on continuing credit.

33%
INCREASE IN LOAN APPLICATIONS

Increasing the loan portfolio in the current environment will be an ongoing challenge and demonstrates the importance of accessing new channels. The establishment of our broker channel this year was a key priority and will play a critical role in our growth strategy, particularly when brokers are now settling around 60% of all new residential home loans in Australia.

With strong capital and liquidity levels, we are well positioned for stronger lending performance in the coming year as we progress our strategy for interstate expansion and fully implement our broker channel. Future capacity requirements have also been considered with new additions to the executive team and a significant upgrade to our technology platform planned for early 2020.

Financial Highlights

1.91%
NET INTEREST MARGIN

20.66%
CAPITAL ADEQUACY

Industry Support

We've continued our focus on social responsibility, remaining committed to improving the financial wellbeing of employees within the broader rail, transport and logistics sector. We value our longstanding relationship with our foundation partner, Queensland Rail, as well as other key alliances with Downer Rail, VLine, rthealth, RTBU and associations such as CILTA, VTA and QTA.

"I'm proud to be a member of the MOVE community" – MOVE Bank Member

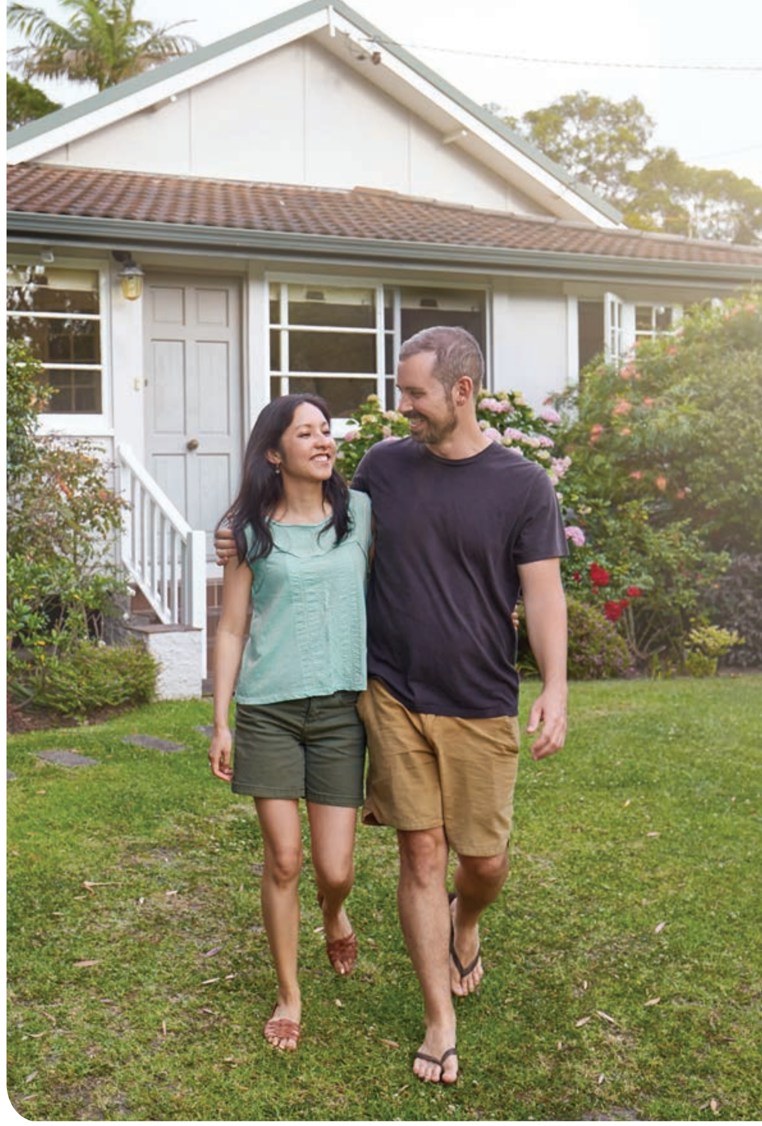
In the coming year, we will be increasing our reach in providing education to transport and logistics employees through an online financial wellbeing toolkit. Access to this service will be provided to employees of our corporate partners as part of their wellbeing programs.

Looking Ahead

The strategic initiatives implemented over the past 2 years to improve our costs, operations and competitive position have ensured that we are now well placed to navigate the record low interest rate environment while continuing to deliver true member value to both our borrowers and depositors.

The planning and implementation of these initiatives have been delivered by the entire team at MOVE Bank, so I sincerely thank the Board, management and staff for their ongoing efforts and commitment throughout this period of transformation.

In the year ahead, we will continue to improve our member value and experience, through a combination of personalised service, strong product offerings, and enhanced technology and access.



Finally, and most importantly, I would like to thank all members for your ongoing support of MOVE Bank. You are the centre of everything we do, and we look forward to meeting your financial needs and exceeding your expectations for many years to come.

Therese Turner
CHIEF EXECUTIVE OFFICER
MOVE BANK

Financial Highlights

9.40%
ASSET GROWTH

41.36%
NEW CAR LOAN GROWTH

Directors' Report

Your Directors submit their report on Railways Credit Union Limited trading as MOVE Bank ("MOVE Bank") for the financial year ended 30 June 2019.

MOVE Bank is a company registered under the *Corporations Act 2001*.

Directors

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

Andrew R Haynes (Chair)
Bronwyn (Bron) D Davies
Kellie L Dyer
Andrew J Hughes
Sean H O'Donnell — Retired 13 May 2019
Scott J Riedel
Michael (Mick) F Skinner

The names of the Company Secretaries in office at any time during or since the end of the year are:

Bernard C Luton
Therese L Turner

Qualifications, experience and special responsibilities

Andrew R Haynes	BA, LLB, LLM, MBA, H Dip IS, Cert Legal Practice, FGIA, FCIS, GAICD, JP Independent Governance & Risk Consultant. Formerly Company Secretary of QR Limited. Andrew has been a Director on the MOVE Bank Board since 2009 and was appointed Chairman in May 2016. Andrew is a member of the Audit and Compliance Committee, Risk Management Committee and the Remuneration and Succession Committee.
Bronwyn (Bron) D Davies	BEcon, Grad Cert Technology (BS), CPA, CIA, GAICD Chief Auditor, Airservices Australia Bron has been a Director of MOVE since 2012. Bron is a member of the Risk Management Committee and the Remuneration and Succession Committee.
Kellie L Dyer	BBus (Marketing), MBA (Tech Mgt), Grad Dip Management, GAICD Senior Commercialisation Strategist, Impact Innovation Group Kellie has been a Director of MOVE Bank since 2009. Kellie is the Chair of the Remuneration and Succession Committee and a member of the Audit and Compliance Committee.
Andrew J Hughes	BCom, FCPA, MCom (Accounting), Assoc Dip in Civil Engineering, GAICD Finance Business Partner, Network - Queensland Rail Andrew has been a Director of MOVE Bank since 2009. Andrew is the Chair of the Risk Management Committee and a member of the Remuneration and Succession Committee.

Qualifications, experience and special responsibilities (continued)

Sean H O'Donnell	MBA, BBus (Hosp Man), Dip Fin Adv, FFin, FACP, MAICD Executive IBM Sean was appointment as an External Director in May 2018 for a 1 year term, with his appointment concluding on 13 May 2019. Sean was a member of the Risk Management Committee and the Remuneration and Succession Committee.
Scott J Riedel	BEng (Hons), RPEQ, Grad Dip Business, GAICD Executive General Manager Network - Queensland Rail Scott has been a Director of MOVE Bank since 2016 and is a member of the Audit and Compliance Committee and the Remuneration and Succession Committee.
Michael (Mick) F Skinner	BBus (Transport & Logistics Mgt), Grad Cert (Intermodal Transport), GAICD, FCILT Company Director Mick has been a Director of MOVE Bank since 2016 (and previously from 2003 to 2006) and is the Chair of the Audit and Compliance Committee and a member of the Remuneration and Succession Committee.

All Directors have held their office from 1 July 2018 to the date of this report unless otherwise stated.

Company Secretaries

Qualifications and experience

Bernard C Luton	Bachelor of Laws, Grad Dip Applied Corporate Governance, GAICD Chief Risk Officer and Company Secretary Bernard was appointed as Company Secretary on 13 November 2009.
Therese L Turner	MBA, Advanced Diploma Accounting, GAICD Chief Executive Officer (CEO) Therese was appointed as Company Secretary on 27 September 2017.

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Meetings of Board & Committees	Board	Risk Management	Audit & Compliance	Remuneration & Succession
Number of meetings held	10	4	5	4
Number of meetings attended	Attended/Eligible to attend			
Andrew R Haynes	10/10	4/4	5/5	4/4
Bronwyn (Bron) D Davies	10/10	4/4	1/1	4/4
Kellie L Dyer	9/10	-	5/5	3/4
Andrew J Hughes	10/10	4/4	1/1	4/4
Sean H O'Donnell	8/8	3/3	3/3	4/4
Scott J Riedel	10/10	2/2	5/5	4/4
Michael (Mick) F Skinner	10/10	-	5/5	4/4

Directors' Report

Insurance and Indemnification of Directors, Officers or Auditor

Insurance premiums have been paid to insure each of the Directors and officers of MOVE Bank, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a director or officer of MOVE Bank. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. An indemnity has been provided to Directors to the extent permitted by law.

No insurance cover or indemnity has been provided for the benefit of the auditors of MOVE Bank.

Principal Activities

The principal activities of MOVE Bank during the year were the provision of financial services to members as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating Results

Review of operations

MOVE Bank's operations from its activities of providing financial services to its members did not change from the previous financial year.

Operating Results for the Year

The net profit of MOVE Bank for the year ended 30 June 2019 after providing for income tax was $1,725,020 (2018: $933,056).

Dividends

No dividends have been paid or declared since the beginning of the financial year and no dividends have been recommended or provided for by the Directors of MOVE Bank.

Options

No options over unissued shares or interests in MOVE Bank were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Significant Changes in the State of Affairs

In the opinion of the Directors there have been no significant changes in the state of affairs during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the reporting period which have significantly affected, or may significantly affect, the operations, the results of those operations or the state of affairs of MOVE Bank in subsequent financial years.

Directors' Report

Likely Developments and Expected Results

The operations of MOVE Bank and the results of those operations are not expected to change significantly in future financial years.

Further information about likely developments in the operations of MOVE Bank and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to MOVE Bank.

Environmental Regulation and Performance

MOVE Bank is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of MOVE Bank or to intervene in any proceedings to which MOVE Bank is a party for the purpose of taking responsibility on behalf of MOVE Bank for all or part of those proceedings. MOVE Bank was not a party to any such proceedings during the year.

Regulatory Disclosures

The disclosures required by APS 330 Public Disclosures (namely the common disclosures in Attachment A and the Regulatory Capital Reconciliation) are available on our website at movebank.com.au/about-move-bank/corporate-information/regulatory-disclosures.

Auditor Independence

The Directors received an independence declaration from the auditor, BDO Audit Pty Ltd. A copy has been included on the following page of the report.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Andrew Haynes	*Scott Riedel*
Andrew R Haynes Chair	Scott J Riedel Director

Brisbane, 25 September 2019

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Level 10, 12 Creek St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF RAILWAYS CREDIT UNION LIMITED TRADING AS MOVE BANK

As lead auditor of Railways Credit Union Limited trading as MOVE Bank for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Paul Gallagher

P A Gallagher

Director

BDO Audit Pty Ltd

Dated at Brisbane this 25th day of September 2019.

Statement of Profit or Loss & Other Comprehensive Income for the year ended 30 June 2019

	Note	2019 $	2018 $
Interest income	5(a)	23,759,939	23,624,521
Interest expense	6(a)	(11,527,785)	(10,967,925)
Net interest income		12,232,154	12,656,596
Other revenue and income	5(b)	1,723,759	2,081,688
Employee benefits expense	6(b)	(5,598,929)	(6,379,352)
Depreciation and amortisation expense	6(c)	(906,714)	(1,026,640)
Credit impairment losses	6(d),13(b)	(577,961)	(890,909)
Other expenses	6(e)	(4,524,293)	(5,136,153)
Profit before income tax		2,348,016	1,305,230
Income tax expense	7	(622,996)	(372,174)
Profit for the year		1,725,020	933,056
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		1,725,020	933,056

The above statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2019

	Note	2019 $	2018 $
ASSETS			
Cash and cash equivalents	8	23,070,400	20,391,085
Other receivables	10	861,153	575,376
Financial assets at amortised cost	11	144,062,869	92,788,365
Loans and advances	12	495,979,754	493,909,444
Investment securities	9	1,844,384	1,128,715
Property, plant and equipment	14	4,546,363	4,952,111
Intangible assets	15	659,014	484,626
Deferred tax assets	7	-	79,644
Other assets		179,178	136,841
TOTAL ASSETS		671,203,115	614,446,207
LIABILITIES			
Deposits	16	603,903,702	549,283,107
Other payables	17	890,808	1,179,350
Income tax payable		240,049	152,030
Deferred tax liabilities	7	95,959	-
Provisions	18	564,405	567,415
TOTAL LIABILITIES		605,694,923	551,181,902
NET ASSETS		65,508,192	63,264,305
EQUITY			
Redeemed preference share capital	19	213,900	199,140
Reserves	20	65,294,292	63,065,165
TOTAL EQUITY		65,508,192	63,264,305

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

Statement of Changes in Equity For the year ended 30 June 2019

	Redeemed preference share capital $	Retained earnings $	Reserves (Note 20) $	Total equity $
Balance at 1 July 2018	199,140	-	63,065,165	63,264,305
Impact of adopting AASB 9 at 1 July 2018, net of tax (Note 2(o))	-	-	518,867	518,867
Restated balance at 1 July 2018	199,140	-	63,584,032	63,783,172
Profit for the year	-	1,725,020	-	1,725,020
Other comprehensive income for the year				
Net gains on investments in equity instruments designated at FVOCI, net of tax	-	-	-	-
Total comprehensive income for the year	-	1,725,020	-	1,725,020
Transfers				
Redeemed preference share capital	14,760	(14,760)	-	-
Transfers to/(from) reserves (Note 20)	-	(1,710,260)	1,710,260	-
Total transfers	14,760	(1,725,020)	1,710,260	-
Transactions with owners in their capacity as owners	-	-	-	-
30 June 2019	213,900	-	65,294,292	65,508,192
Balance at 1 July 2017	185,220	-	62,146,029	62,331,249
Profit for the year	-	933,056	-	933,056
Other comprehensive income for the year				
Net gain on revaluation of land & buildings, net of tax	-	-	-	-
Total comprehensive income for the year	-	933,056	-	933,056
Transfers				
Redeemed preference share capital	13,920	(13,920)	-	-
Transfers to/(from) reserves (Note 20)	-	(919,136)	919,136	-
Total transfers	13,920	(933,056)	919,136	-
Transactions with owners in their capacity as owners	-	-	-	-
30 June 2018	199,140	-	63,065,165	63,264,305

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

Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Operating activities			
Interest received		23,535,340	23,819,097
Payments to suppliers and employees		(10,615,714)	(11,408,197)
Dividends received		9,180	77,994
Fees and commissions received		1,759,411	2,151,284
Other income		11,446	18,460
Interest and other costs of finance paid		(11,647,981)	(11,098,800)
Income tax paid		(556,176)	(240,631)
Net movement in financial assets amortised cost		(51,274,504)	17,946,538
Net movement in loans and advances		(2,642,229)	(17,977,914)
Net movement in deposits		54,775,896	(2,670,209)
Net cash inflows from operating activities	21(b)	3,354,669	617,622
Investing activities			
Purchase of property, plant and equipment		(206,713)	(89,345)
Purchase of intangible assets		(468,641)	(229,895)
Net cash flows used in investing activities		(675,354)	(319,240)
Net increase/(decrease) in cash and cash equivalents		2,679,315	298,382
Cash and cash equivalents at 1 July		20,391,085	20,092,703
Cash and cash equivalents at 30 June	8	23,070,400	20,391,085

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

Notes to the Financial Statements
for the year ended 30 June 2019

1. CORPORATE INFORMATION

The financial statements cover Railways Credit Union Limited trading as MOVE Bank for the financial year ended 30 June 2019 and were authorised for issue in accordance with a resolution of the Directors on 25 September 2019.

MOVE Bank is an unlisted public company limited by shares, incorporated and domiciled in Australia.

For the purpose of preparing the financial statements, MOVE Bank is a for profit entity.

The registered office and principal place of business of MOVE Bank is Level 1, 179 Ann Street, Brisbane, Queensland 4000.

The principal activities of MOVE Bank during the year were the provision of financial services to members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by MOVE Bank in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including Australian Accounting Interpretations, and the Prudential Standards set down by the Australian Prudential Regulation Authority (APRA).

The financial statements have been prepared on an accruals basis and are based on historical costs except for land and buildings, financial assets at Fair Value through Other Comprehensive Income (FVOCI) (applicable from 1 July 2018) and available-for sale-financial assets (applicable before 1 July 2018).

This is the first set of MOVE Bank's annual financial statements in which AASB 9 *Financial Instruments* and AASB 15 *Revenue from Customer Contracts* have been applied. Changes to significant accounting policies are described in Note 2(o).

The presentation currency of the financial statements is Australian Dollars.

(b) Compliance with IFRS

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

(c) Financial assets and financial liabilities

MOVE Bank applied the classification and measurement requirements for financial instruments under AASB 9 *Financial Instruments* for the year ended 30 June 2019. The 2018 comparative period was not restated and the requirements under AASB 139 *Financial Instruments: Recognition and Measurement* were applied. The key changes are in the classification and impairment requirements as detailed in Note 2(o).

Refer to Note 2(d) for the details of accounting policies applicable before 1 July 2018.

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when MOVE Bank becomes a party to the contractual provisions of the financial instruments. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FTVPL are recognised immediately in the profit or loss.

(c) Financial assets and financial liabilities (continued)

(ii) Classification and subsequent recognition and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, MOVE Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, MOVE Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

MOVE Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- 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 performance of the portfolio is evaluated and reported to MOVE Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how MOVE Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, MOVE Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, MOVE Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;

(c) Financial assets and financial liabilities (continued)

- terms that limit MOVE 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 – e.g. periodical reset of interest rates.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after MOVE Bank changes its business model for managing financial assets. There were no changes to any of MOVE Bank business models during the current year (2018: Nil).

Financial liabilities

MOVE Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

(iii) De-recognition

Financial assets

MOVE Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which MOVE Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(i) On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and
(ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

From 1 July 2018, any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by MOVE Bank is recognised as a separate asset or liability.

In transactions in which MOVE Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, MOVE Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, MOVE Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

MOVE Bank de-recognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, MOVE Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (iii)) and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, MOVE Bank recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (see part (vii)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(v) Offsetting

Financial assets and financial liabilities are set off and the net amount presented in the Statement of Financial Position when, and only when, MOVE Bank has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(vi) Fair value measurement

Refer to Note 2(e) for details.

(vii) Impairment

Under AASB 9, MOVE Bank applies a three-stage approach to measuring expected credit losses (ECLs) for the following categories of financial assets that are not measured at FVTPL:

- financial assets that are debt instruments carried at amortised cost (loans and advances to members);
- loan commitments issued; and
- financial guarantee contracts issued.

No impairment loss is recognised on equity investments carried at FVOCI.

Exposures are assessed on a collective basis in each stage unless there is sufficient evidence that one or more events associated with an exposure could have a detrimental impact on estimated future cash flows. Where such evidence exists, the exposure is assessed on an individual basis.

Stage	Measurement basis
12-months ECL (Stage 1)	The portion of lifetime ECL associated with the probability of default events occurring within the next 12 months.
Lifetime ECL – not credit impaired (Stage 2)	ECL associated with the probability of default events occurring throughout the life of an instrument.
Lifetime ECL – credit impaired (Stage 3)	Lifetime ECL, but interest revenue is measured based on the carrying amount of the instrument net of the associated ECL.

At each reporting date, MOVE Bank assesses the credit risk of exposures in comparison to the risk at initial recognition, to determine the stage that applies to the associated ECL measurement. If the credit risk of an exposure has increased significantly since initial recognition, the asset will migrate to Stage 2. If no significant increase in credit risk is observed, the asset will remain in Stage 1. Should an asset become impaired it will be transferred to Stage 3.

MOVE Bank considers reasonable and supportable information that is relevant and available without undue cost or effort, for this purpose. This includes quantitative and qualitative information and also forward-looking analysis. Refer to Note 3 (c) Credit risk management.

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

- other financial assets measured at amortised cost 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.

MOVE Bank considers balances ADI interest bearing deposits classified as financial assets at amortised cost to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Refer to Note 3 (c) Credit risk management for details.

Inputs, assumptions and techniques used for estimating impairment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

Impaired exposures under the expected credit loss model consist of:

- Loans which are contractually 90 days or more past due.
- Loans that are subject to a debt repayment arrangement whereby some of the debt is highly unlikely to be fully repaid
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Assessment of significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, MOVE Bank considers both quantitative and qualitative information, including expert credit risk assessment, forward looking information and analysis based on MOVE Bank's historical experience.

For loans MOVE Bank uses the number of days past due (DPD) or the relative change in probability of default at account level, to determine significant increase in credit risk. This includes loans for which MOVE Bank has agreed to a temporary change in the repayment arrangements because of the borrower's financial circumstances having changed.

In addition, as a backstop, MOVE Bank considers that significant increase in credit risk occurs when an asset is more than 30 days past due (DPD).

Calculation of expected credit losses

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 MOVE Bank in accordance with the contract and the cash flows that MOVE 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;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to MOVE Bank if the commitment is drawn down and the cash flows that MOVE 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 and 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, MOVE Bank assesses whether financial assets carried at amortised cost and financial assets carried at FVOCI are credit impaired.

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;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by MOVE Bank on terms that MOVE Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

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. In addition, a loan that is overdue for 90 days or more is considered impaired.

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;
- where a financial instrument includes both a drawn and an undrawn component and MOVE Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: MOVE 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 advances are written off when there is no realistic prospect of recovery. This is generally the case when MOVE 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with MOVE Bank's procedures for recovery of amounts due.

(d) Accounting policies applicable before 1 July 2018: financial assets and financial liabilities

(i) Initial recognition

MOVE Bank initially recognises loans and advances to members and deposits from members on the date that they are originated. All other financial assets and financial liabilities (including financial assets and financial liabilities designated at fair value through profit and loss) are initially recognised on trade date when the related contractual rights or obligations exist.

(ii) Derecognition

MOVE Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by MOVE Bank is recognised as a separate asset or liability. MOVE Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or when they expire.

(iii) Offsetting

Financial assets and liabilities are set-off and the net amount presented in the Statement of Financial Position when, and only when, MOVE Bank has a legal right to set-off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Identification and measurement of impairment

Refer Note 2(d)(v) for details.

(d) Accounting policies applicable before 1 July 2018: financial assets and financial liabilities (continued)

(iv) Application

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value and are used by MOVE Bank in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

Loans and advances

Loans and advances to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that MOVE Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Investment securities

Investment securities are initially measured at fair value plus incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity or available for sale.

Amortised cost

Amortised cost investments are non-derivative assets with fixed or determinable payments and fixed maturity that MOVE Bank has a positive intent and ability to hold to maturity, and which are not designated as available for sale.

Amortised cost investments are carried at amortised cost using the effective interest rate method. Any sale or reclassification of a significant amount of amortised cost investments not close to their maturity would result in the reclassification of all amortised cost investments as available for sale and prevent MOVE Bank from classifying investment securities as amortised cost for the current and the following two financial years.

MOVE Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in estimated future cash flows.

Impairment losses are measured as the difference between the investments' carrying amount and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the investment's original effective interest rate. Impairment losses are recognised in profit or loss.

Financial assets available for sale

Financial assets available for sale are non-derivative investments that are not designated as another category of financial asset.

After initial recognition, available for sale investments are measured at fair value. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Unrealised gains or losses arising from changes in the fair value of available for sale investments are recognised directly in other comprehensive income in the available for sale investments revaluation reserve. On sale, the amount held in the available for sale reserve associated with that asset is recognised in profit or loss as a reclassification adjustment.

Where there is a significant or prolonged decline in the fair value of an available for sale financial asset below its cost (which constitutes objective evidence of impairment) the cumulative loss recognised in other comprehensive income is reclassified from the available for sale investments revaluation reserve to profit and loss as a reclassification adjustment.

Reversals of impairment losses on equity instruments classified as available for sale cannot be reversed through profit or loss. Reversals of impairment losses on debt instruments classified as available for sale can be reversed through profit or loss where the reversal relates to an increase in the fair value of the debt instrument occurring after the impairment loss was recognised in profit or loss.

Interest income from financial assets available for sale are recognised in profit or loss using the effective interest method. Dividend income from available for sale investments is recognised in profit or loss when MOVE Bank becomes entitled to the dividend.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Accounting policies applicable before 1 July 2018: financial assets and financial liabilities (continued)

Deposits

Deposits are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. Interest on deposits is brought to account on an accrual basis. Interest accrued at the end of the reporting period is shown as a part of deposits.

Borrowings

Refer to note 2(j) for details.

(v) Impairment – Loans and advances

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Impairment losses on loans and advances are measured as the difference between the carrying amount of loans and advances and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan and advances original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The amount provided for impairment of loans is determined by Management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. This approach is adopted by MOVE Bank.

Management and the Board also make a provision for loans in arrears where the collectability of the debt is considered doubtful by estimation of expected losses. Note 3(c) details the credit risk management approach to loan impairment.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

Bad debts are written off, as determined by Management and the Board, when it is reasonable to expect that the recovery of the loan is unlikely. All write-offs are on a case-by case basis, taking into account the exposure at the date of the write-off. On secured loans, the write-off takes place following ultimate realisation of collateral value.

Bad debts are written off against the provision for impairment where impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in profit or loss.

Renegotiated loans are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

(e) Fair value measurement

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, MOVE Bank.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Fair value measurement (continued)

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, MOVE Bank uses valuation techniques that maximise the use of observable inputs and minimise 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level 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.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increase is credited to other comprehensive income unless it reverses a revaluation decrease on the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss unless it directly offsets a previous revaluation increase on the same asset in the asset revaluation reserve. On disposal, any revaluation reserve relating to sold assets is transferred to retained earnings.

It is the policy of MOVE Bank to have an independent valuation every three years, with annual appraisals being made by the Directors.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to MOVE Bank commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis. A summary of rates used:

Buildings	4%
Computer hardware	33.3%
Leasehold improvements	10% - 40%
Office furniture and equipment	10% - 15%
Motor vehicles	20%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the profit or loss.

(g) Leases

Lease payments for operating leases, where substantially all the risks and benefits incidental to ownership of the asset remain with the lessor, are recognised as expenses (net of incentives received from the lessor) on a straight-line basis over the lease term.

(h) Impairment of assets (excluding financial assets)

At each reporting date, MOVE Bank reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss (except for items carried at revalued amount).

Where it is not possible to estimate the recoverable amount of an individual asset, MOVE Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Intangibles

Computer Software

Items of computer software which are not integral to the computer hardware owned by MOVE Bank are classified as intangible assets with a finite life.

Computer software is amortised on a straight-line basis over the expected useful life of the software. These lives range from 3 – 5 years.

(j) Borrowings

Borrowings are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method. 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 method.

(k) Employee benefits

Provision is made for the liability of employee benefits arising from services rendered by employees to the end of the reporting period.

Short-term employee benefits

Liabilities for wages, salaries and bonuses and the value of fringe benefits received (including non-monetary benefits) that are expected to be settled wholly within twelve months of the end of the reporting period are recognised in other payables in respect of employee services provided to the end of the reporting period and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Long-term employee benefits

Liabilities for long service leave and annual leave which are not expected to be settled within twelve months of the end of the reporting period. They are recognised as provisions for employee benefits and other payables and are measured at the present value of the expected future payments to be made in respect of services provided to the end of the reporting period. Consideration is given to expected future salary and wage increases, experience of employee departures and periods of service. Expected future payments are discounted using corporate bond rates at the end of the reporting period with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Contributions are made by MOVE Bank to employee superannuation funds and are recognised in profit or loss when incurred.

(l) Revenue

Accounting policies applicable from 1 July 2018

Revenue generated from financial instruments (under AASB 9 *Financial Instruments*) and revenue recognised from contracts with customers (under AASB 15 *Revenue from Contracts with Customers*)

MOVE Bank has assessed that the business model it applies is to collect contractual cashflows from the loan and receivables it provides its members.

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the borrower loan account on the last day of each month. Loan interest revenue is recognised as interest accrues using the effective interest method.

The effective interest method calculates the amortised costs of a financial instrument by discounting the financial instruments estimated future receipts or payments to their present value and allocates the interest income or interest expense, including any fees, costs, premiums or discounts integral to the financial instrument over its expected life.

(l) Revenue (continued)

When a loan is classified as impaired, MOVE Bank ceases to recognise interest and other income earned but not yet received. Loan interest is generally not brought to account if a loan has been transferred to a debt collection agency, a judgment has been obtained, or where repayments are in arrears and the prospect of a contribution from the borrower is minimal. Accrued interest may however be recovered as part of the recovery of the debt.

Loan origination fee and loan transaction costs that are direct and incremental to the establishment of loans are deferred and amortised as a component of the calculation of the effective interest rate in relation to the originated loans. Fees charged on loans after origination of the loan are recognised in profit or loss when the service is provided.

Fee and commission income and expense

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

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Loan fees that are recognised using the effective interest method are included with loan balances in the statement of financial position.

Other fee and commission income – including account servicing fees, loan discharge and administration fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Insurance brokerage commission income - MOVE Bank offers insurance arrangements to customers acting as agent on behalf of an insurer and receives a commission on each insurance products as a percentage of premium paid by customers for each policy. MOVE Bank has generally concluded that it is the agent in its insurance arrangements because it typically does not act in the capacity of an insurer and its responsibility is limited to arranging or mediating the provision of insurance for third party insurer.

MOVE Bank's performance obligation is to execute the insurance policy on behalf of the insurer and revenue is recognised once policy has been executed or renewed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

MOVE Bank estimates the amount to which it will be entitled, but constrains that amount until it is highly probable that including the estimated fee in the transaction price will not result in a significant revenue reversal, which generally occurs upon satisfaction of the performance obligation, on the trade date (at point in time). The transaction price is determined by taking the commission fee earned, less an allowance for credits for policies which may be cancelled during the policy period. The credits are calculated based on the average customer retention rate provided by the insurer.

Dividend income

Dividend income is recognised on an accruals basis when the Group's right to receive the dividend is established. Dividends are presented in net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment. From 1 July 2018, dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

Accounting policies applicable before 1 July 2018

The accounting policies applied before 1 July 2018 are the same as those applied after 1 July 2018, except for general insurance commissions.

Previously they were recognised on an accruals basis when service to the borrower has been rendered and a right to receive the consideration has been attained.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the Australian corporate tax rate (which changed for MOVE Bank on 1 July 2018 from 30% to 27.5%) adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, offset by any unused tax losses.

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. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The amount of deductible temporary differences brought to account as deferred tax assets is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that MOVE Bank will derive sufficient future assessable income to enable the deferred tax asset to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where MOVE Bank has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(o) New and amended accounting standards and interpretations adopted during the year

MOVE Bank has initially adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Customer Contracts* from 1 July 2018. A number of other new standards are also effective from 1 July 2018, but they do not have a material effect on MOVE Bank's financial statements.

The effect of initially applying these standards is mainly attributed to the following:

- an increase in the fair value of investment securities recognised through comprehensive income (FVOCI) – (see Note 9);
- changes to the impairment calculation and additional disclosures related to AASB 9 (see Note 13); and
- additional disclosures related to AASB 15 (see Note 5).

Except for the changes discussed below, MOVE Bank has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

AASB 9 Financial Instruments

MOVE Bank has adopted AASB 9 *Financial Instruments* issued in July 2014 with a date of initial application of 1 July 2018. The requirements of AASB 9 represent a significant change from AASB 139 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

(o) New and amended accounting standards and interpretations adopted during the year (continued)

As a result of the adoption of AASB 9, MOVE Bank has adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that are applied to disclosures for the year ended 30 June 2019, but have not been applied to the comparative information.

MOVE Bank has chosen not to restate comparatives on adoption of AASB 9 and, therefore, are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 July 2018) and recognised in the opening retained earnings and reserves (as applicable).

The key changes to MOVE Bank's accounting policies resulting from its adoption of AASB 9 are summarised below.

(i) Classification of financial assets and financial liabilities

Financial assets

MOVE Bank classifies its financial assets as subsequently measured at either amortised cost or fair value depending in MOVE Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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 on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The following summarises the key changes:

- The existing AASB 139 categories of held-to-maturity, loans and receivables and available-for-sale (AFS) were removed.
- MOVE Bank has elected to irrevocably designate the non-traded equity investments in Cuscal and Indue at fair value through other comprehensive income (FVOCI) as permitted under AASB 9. These securities were previously classified as available-for-sale and were measured at cost because of their fair value was not considered to be reliably measureable. AASB 9 has removed this cost exception. The changes in the fair value of these investment securities will no longer be reclassified to profit or loss when they are disposed of. These equity investments are now included in 'investment securities' in the statement of financial position at 1 July 2018.

For an explanation of how MOVE Bank classifies financial assets under AASB 9, see Note 2(c).

Financial liabilities

Classification of financial liabilities remained largely unchanged for MOVE Bank. Financial liabilities continue to be measured at either amortised cost. However, although under AASB 139 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under AASB 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how MOVE Bank classifies financial liabilities under AASB 9, see Note 2(c).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New and amended accounting standards and interpretations adopted during the year (continued)

Classification of financial assets and financial liabilities on the date of initial application of AASB 9

The following table shows the impact on the classification and measurement of MOVE Bank's financial assets and financial liabilities on 1 July 2018.

	Note	Original measurement category AASB 139	New measurement category AASB 9	As at 1 July 2018 Original carrying amount AASB 139 $	New carrying amount AASB 9 $
Cash and cash equivalents	8	Amortised cost (Loans and receivables)	Amortised cost	20,391,085	20,391,085
Financial assets at amortised cost	11	Amortised cost (Held to Maturity)	Amortised cost	92,788,365	92,788,365
Other receivables	10	Amortised cost (Loans and receivables)	Amortised cost	575,376	575,376
Loans and advances (1)	12	Amortised cost (Loans and receivables)	Amortised cost	493,909,444	493,909,444
Investment securities - Equity instruments	9	Available for sale	FVOCI	1,128,715	1,844,384
Total financial assets				608,792,985	609,508,654

	Note	Original measurement category AASB 139	New measurement category AASB 9	As at 1 July 2018 Original carrying amount AASB 139 $	New carrying amount AASB 9 $
Deposits	16	Amortised cost	Amortised cost	549,283,107	549,283,107
Other payables	17	Amortised cost	Amortised cost	1,179,350	1,179,350
Total financial liabilities				550,462,457	550,462,457

(1) As at 1 July 2018, no adjustment has been taken up on the remeasurement of expected credit losses (ECL) under AASB 9, since the amount of ECL provision is not materially different to that held under the AASB 139 provisioning methodology.

MOVE Bank's accounting policies on the classification of financial instruments under AASB 9 are set out in Note 2 (c).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New and amended accounting standards and interpretations adopted during the year (continued)

The application of these policies resulted in the reclassifications set out in the table above and explained below.

- MOVE Bank has elected to irrevocably designate the non-traded equity investments in Cuscal and Indue at FVOCI as permitted under AASB 9. These securities were previously classified as available-for-sale and were measured at cost because their fair value was not considered to be reliably measurable. AASB 9 has removed this cost exception. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of. These equity instruments are now included in 'investment securities' in the statement of financial position as at 1 July 2018.
- 'Financial assets held to maturity' that were previously classified as amortised cost (HTM), and accounted for at amortised cost under AASB 139, have been assessed as having business model of holding to collect contractual cash flows which comprise of solely payments of principal and interest. Accordingly, these instruments will continue to be classified at amortised cost under the effective interest method.
- The following financial assets have been reclassified to new categories under AASB 9, as their previous categories under AASB 139 were 'retired':
  - (i) Those previously classified as available for sale and now reclassified as measured at FVOCI; and
  - (ii) Those previously classified as HTM / amortised cost continue to be classified and measured at amortised cost.

(ii) Changes to impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments, financial guarantee contracts and to equity investments. Under AASB 9, credit losses are recognised earlier than under AASB 139.

MOVE Bank applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and FVOCI.

Assets migrate through the following three stages based on the change in credit quality since initial recognition:

- Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised. Refer Note 13 for the effect of this change in methodology.

- Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

- Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under AASB 139, MOVE Bank's methodology for specific provisions remained unchanged. For financial assets that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

For an explanation of the effect of the application of the expected loss model, including the effect of each stage of the model – see note Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New and amended accounting standards and interpretations adopted during the year (continued)

Assessment of significant increase in credit risk

At each reporting date, MOVE Bank assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition.

In determining whether credit risk has increased significantly since initial recognition, MOVE Bank uses its internal credit risk grading system, external risk ratings and forecast information to assess deterioration in credit quality of a financial asset.

MOVE Bank assess whether the credit risk on financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of shared credit risk characteristics, taking into accounts instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

Measuring ECL

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to MOVE Bank and all the cash flows that MOVE Bank expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

MOVE Bank considers its historical loss experience and adjusts this for current observable data. In addition, MOVE Bank uses reasonable and supportable forecasts of future economic conditions including experienced judgment to estimate the amount of an expected impairment loss. AASB 9 introduces the use of macroeconomic factors which include, but is not limited to, unemployment, interest rates, gross domestic product, inflation and commercial property prices and requires an evaluation of both current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

If, in the subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

For more details of how MOVE Bank applies the impairment requirements of AASB 9, see Note 2 (c).

At 1 July 2018, no adjustment has been taken up on the remeasurement of expected credit losses (ECL) under AASB 9, since the amount of ECL provision under AASB 9 is not materially different to that provided under the provisioning methodology using AASB 139.

Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not reflect the requirements of AASB 9 and therefore is not comparable to the information presented for 2018 under AASB 139.

The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets as measured at FVTPL.
- The designation of all investments in equity instruments not held for trading as at FVOCI.

(o) New and amended accounting standards and interpretations adopted during the year (continued)

(iii) Reconciliation of statement of financial position balances from AASB 139 to AASB 9

The following table analyses the impact, net of tax, of transition to AASB 9 on financial assets, reserves and retained earnings.

	AASB 139 opening balance 30 June 2018 $	Reclassifications $	Remeasurements $	AASB 9 opening balance 1 July 2018 $
Investments available for sale				
Opening balance	1,128,715	-	-	1,128,715
Fair value adjustment	-	-	715,669	715,669
Reclassification to FVOCI – equity instruments required classification AASB 9	-	(1,128,715)	(715,669)	(1,844,384)
Total investments – available for sale	1,128,715	(1,128,715)	-	-
Investments - Equity instrument at fair value through other comprehensive income (FVOCI)				
Opening balance	-	-	-	-
Additions from investments available for sale (AASB 139)	-	1,128,715	-	1,128,715
Remeasurement arising from reclassifications	-	-	715,669	715,669
Total equity instrument at FVOCI	-	1,128,715	715,669	1,844,384

	AASB 139 opening balance 30 June 2018 $	Reclassifications $	Remeasurements $	AASB 9 opening balance 1 July 2018 $
Total change to financial asset balances, reclassification and remeasurement at 1 July 2018	-	-	715,669	715,669
Deferred tax liabilities				
Opening balance	-	-	-	-
Remeasurement of deferred tax on FVOCI – equity instruments required classification under AASB 9	-	-	(196,812)	(196,812)
Total Deferred Tax Liabilities	-	-	(196,812)	(196,812)
Fair value reserve				
Opening balance	-	-	-	-
Increase to FVOCI reserve – required classification under AASB 9	-	-	518,867	518,867
Total fair value reserve	-	-	518,867	518,867
Total change to reserve balances, reclassification and re-measurement at 1 July 2018	-	-	518,867	518,867

At 1 July 2018 there were no adjustments made to the amounts taken up on the reclassification of held to maturity investments as financial assets held at amortised cost, upon the application of AASB 9.

As at 1 July 2018, no adjustment has been taken up in the general credit loss reserve on the remeasurement of expected credit losses (ECL) under AASB 9, since the amount of ECL provision is not materially different to that held under the AASB 139 provisioning methodology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New and amended accounting standards and interpretations adopted during the year (continued)

(iv) AASB15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. AASB 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (e.g., interest and fee income integral to financial instruments which would be in the scope of AASB 9 and lease income).

MOVE Bank initially applied AASB 15 on 1 July 2018 retrospectively in accordance with AASB 8 without any practical expedients. Majority of the MOVE Bank's revenue streams (e.g. interest income, gains and losses on financial instruments) are outside the scope of AASB 15 and, therefore, accounting for those revenue streams did not change as a result of the adoption of AASB 15. MOVE Bank's revenue streams that are within the scope of AASB 15 relate to fee and commission income disclosed in Note 9.

At 1 July 2018, the timing or amount of the MOVE Bank's fee and commission income from contracts with customers was not materially impacted by the adoption of AASB 15 therefore no opening balance adjustment has been recognised. The impact of AASB 15 was limited to the new disclosure requirements (see Note 2(l)).

(p) New and amended accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by MOVE Bank. MOVE Bank's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 *Leases – Application date from 1 July 2019*

Nature of change

Except for short-term leases (less than 12 months from commencement date, including extension options), and 'low value' items, leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value of the obligation.

This means that we will no longer see straight-line 'rental' expense in profit or loss. All leases will incur a front-end loaded expense, comprising depreciation on the right-of-use asset, and interest on the lease liability.

When initially measuring the right-of-use asset and lease liability, non-cancellable lease payments (including inflation-linked payments), as well as payments for option periods which the entity is reasonably certain to exercise, must be included in the present value calculation.

There will be no change to the accounting treatment for short-term leases less than 12 months and leases of low value items, which will continue to be expensed on a straight-line basis.

Impact on MOVE Bank

MOVE Bank has completed a detailed assessment of the potential impact on its financial statements and will recognise new assets and liabilities for its operating leases (see Note 22(a)). The nature of expenses related to these leases will now change to a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The estimated impact at 1 July 2019 would be to increase non-current assets by $285,828; increase current liabilities by $240,950; increase non-current liabilities by $71,929; increase EBITDA by $255,783; increase depreciation expenses by $236,553; increase finance costs by $12,153 and decrease retained earnings by $34,714.

Transitioning

MOVE Bank plans to apply AASB 16 initially on 1 July 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. MOVE Bank plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 and IFRIC 4.

3. FINANCIAL RISK MANAGEMENT

MOVE Bank's activities principally relate to the use of financial instruments. MOVE Bank accepts deposits and provides loans at both fixed and floating rates for various periods. Surplus liquidity is invested in high quality assets. Accordingly, the activities of MOVE Bank expose it to the following key financial risks; market risk (including interest rate risk), credit risk and liquidity risk.

Treasury risk management is carried out by an appropriately skilled and trained management team and is monitored by the Board Risk Management Committee, under Board mandated and approved risk policies. The management team identifies, evaluates and if deemed appropriate, hedges financial risk. The Board approves written principles for overall risk management, as well as detailed policies covering specific areas, such as mitigating interest and credit risk, specific large credit exposures and management of delinquent loans.

(a) Risk management

MOVE Bank has appointed a Chief Risk Officer whose responsibilities include maintaining and continuously reviewing MOVE Bank's risk management framework. Oversight of risk management is the responsibility of the Risk Management Committee operating in accordance with formal risk policies approved by the Board.

The Risk Management Committee, which meets regularly, comprises independent non-executive Directors. It recommends to the Board the risk management policies which the Audit and Compliance Committee monitor. This includes the identification, assessment and reporting of risks. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit and Compliance Committee, which comprises independent non-executive Directors, oversees the testing and assessment of internal controls implemented by management to manage material risk. The internal audit program is approved by this committee, and it considers the outcome of both internal and external audit reports.

The committee monitors compliance with Board policies as well as prudential and statutory requirements. The committee reviews annual financial statements prior to sign off by the Board and oversees breach reporting to regulatory bodies such as APRA and ASIC.

The Chair of the Board and the Chair of the Risk Management Committee annually certify to APRA that senior management and the Board have identified key risks facing MOVE Bank, established systems to monitor those risks, including setting and requiring adherence to a series of prudential limits and adequate, timely reporting processes, and they ensure that these risk management systems are operating effectively and are adequate having regard to the risks they are designed to control. Any breaches in compliance are reported to the Board in a timely manner in accordance with the applicable policy.

(b) Market risk

Market risk is the potential adverse change in MOVE Bank's income or the value of MOVE Bank's net worth arising from movements in interest rates. The objective of MOVE Bank is to manage and control market risk exposure in order to minimise risk and optimise return. MOVE Bank is not exposed to currency risk or any other significant price risk. It does not trade in the financial instruments it holds on its books and is only exposed to interest rate risk arising from changes in market interest rates.

The management of market risk is the joint responsibility of the Chief Financial Officer (CFO) and CEO. Market risk is also monitored by management through the Asset & Liability Committee (ALCO) on a monthly basis.

Market risk is measured and reported using a variety of techniques, according to the appropriateness of the technique to the exposure concerned. The techniques used to measure interest rate risk include interest rate repricing gap analysis, sensitivity analysis and interest rate risk management profiles which are conducted by management using a system developed by an independent risk management consultancy. Refer to Note 3(e) below for the details of these policies and for quantitative disclosures in respect of interest rate risk.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk

Credit risk is the risk of financial loss as a result of a default by counterparties to discharge contractual obligations. MOVE Bank assumes credit risk predominantly from its lending activities. Exposure also arises from investment activities and off-balance sheet financial instruments such as loan commitments.

Credit risk policy

Credit risk, being the most significant risk faced by MOVE Bank, is managed to ensure exposure is minimised while supporting sound growth.

(i) Loans and advances

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. The credit policy has been endorsed by the Board to ensure that loans are only made to borrowers who are considered capable of meeting loan repayments. A regular review of compliance with these policies is conducted as part of the scope of external audit.

(ii) Liquid investments

Credit risk in relation to liquid investments is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in MOVE Bank incurring a financial loss. Refer to Note 3(d).

Credit risk management

(i) Loans and advances

Concentrations of risk arise when loans are extended to borrowers of similar risk characteristics, such as industry and geographic location. Credit risk is minimised by dealing with many individual members. A sizeable portion of the loan book is represented by residential mortgages. The primary means of reducing the risk on these loans is the acquisition of security, which is residential property in Australia.

MOVE Bank has a concentration in retail lending to members who are employees of Queensland Rail or Aurizon. This concentration is considered acceptable as MOVE 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.

It is the policy of MOVE Bank to allow members with a secured loan or advance reasonable assistance and opportunity to rectify a breach prior to recovery procedures being initiated. However, if a counterparty has failed to make a payment when contractually due, various actions are triggered such as re-negotiation, enforcement of covenants or legal proceedings and the impairment and provisioning policies are actioned.

Concentrations of credit risk on loans greater than 10% of capital currently arise in the following categories:

2019	Maximum credit exposure	
Industry	$	% Total Loans
Queensland Rail	134,852,487	27.11%
Aurizon	70,361,373	14.15%

2018	Maximum credit exposure	
Industry	$	% Total Loans
Queensland Rail	137,284,706	27.72%
Aurizon	75,447,081	15.23%

At the reporting date there were no concentrations of credit risk on loans to individual members (including associated members) greater than 10% of capital.

(ii) Liquid investments

To limit the concentration of risk, MOVE Bank uses the following credit rating limits:

	Eligible capital base	
	Investment in an individual ADI	Investment in a number of ADIs
Credit Rating	Maximum	Maximum
AAA to A-	25%	N/A
BBB+ to BBB-	25%	75%
Unrated*	5%	15%

*Deposits with Indue Limited (Indue) are excluded from the calculation relevant to these limits. Indue provides transaction and settlement services and MOVE Bank must deposit with Indue a security amount calculated based on previous twelve month's average banking transactions provided by Indue to MOVE Bank.

(c) Credit risk (continued)

The eligible capital base for the purposes of the exposures to individual ADIs is MOVE Bank's tier 1 regulatory capital.

The maximum exposure limit to a number of ADIs rated BBB+ to BBB- only applies when MOVE Bank's liquidity ratio is below 20%.

Measurement of credit risk

(i) Loans and advances

Lending conditions are continually monitored to compare the position of MOVE Bank to the rest of the market to ensure that opportunities are maximised and MOVE Bank is prepared for downturns.

Comprehensive reports are tabled on a regular basis to the Board and senior executive dissecting the loan book balance into various risk profiles. For example, in relation to retail loans risk characteristics such as geographic distribution of loans, security type, occupancy type, loan to value ratios, and mortgage insurance percentages are detailed.

Stress testing is an integral tool in the management of credit risk exposure, by projecting financial impacts of movements in market conditions including economic downturn resulting in low business growth, increase in unemployment and reduction in property values. Recent stress testing has indicated that MOVE Bank is resistant to a significant downturn in the economy.

(ii) Liquid investments

MOVE Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure.

Prior to placing an investment with an acceptable unrated ADI, Management must ensure sufficient due diligence is undertaken to satisfy itself that the unrated ADI is a financially viable and stable entity. As part of this process, Management will review the unrated ADI's most recent annual report, and such other financial information as may be available. Management will also ensure the unrated ADI is regulated by APRA.

The carrying values associated with liquidity investments held by MOVE Bank are as follows:

ADI Rating	2019 $	2018 $
AAA to A-	85,752,972	68,818,687
BBB+ to BBB-	66,563,580	36,266,071
Unrated	14,816,718	8,094,692
Total	**167,133,270**	**113,179,450**

Impairment and provisioning policies

(i) Loans and advances

In order to comply with Prudential Standards, MOVE Bank recognises a statutory impairment allowance for impairment losses in relation to loans based on losses that have been incurred at reporting date using objective evidence for impairment.

Once a loan is past due by 90 days it is considered impaired unless other factors indicate that the impairment should be recognised sooner. Management make judgements about a borrower's financial situation and the net realisable value of any underlying collateral to estimate future cash flows.

Due to the different methodologies used, the allowance for impairment losses calculated for the purposes of Australian Accounting Standards may be different to the required prescribed provision as determined for APRA reporting purposes. For the methodology used to determine expected credit losses under AASB 9, refer to Note 2 (c). As a consequence, on a quarterly basis management recalculate the allowance for impairment based upon the expected loss model under AASB 9 and compare that to required provision under the Prudential Standards.

If the AASB 9 calculation is significantly higher than the Prudential Standard calculation, management will review the circumstances giving rise to the variance and determine if that circumstance has been appropriately considered in determining the allowance for impairment. Variances between the two methodologies will be reported by management to the Board on a quarterly basis.

3. FINANCIAL RISK MANAGEMENT (continued)

Credit risk exposure

MOVE Bank's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the Statement of Financial Position where the maximum credit risk exposure is $544,095,992 (2018: $560,362,009).

In relation to loans, the maximum credit exposure is the value of the Statement of Financial Position plus the undrawn facilities (loans approved not advanced and undrawn overdraft limits). Details of undrawn facilities are shown in Note 22(b). Details of collateral held as security are disclosed in Note 12(a).

(d) Liquidity risk

Liquidity risk is the risk that MOVE 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 that MOVE Bank maintains adequate cash reserves to meet the member withdrawal demands when requested.

Liquidity risk management

MOVE Bank manages liquidity risk by:

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

MOVE Bank has a long standing arrangement with the industry liquidity support scheme, CUFSS, which can access industry funds to provide support to MOVE Bank should this be necessary at short notice.

MOVE Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. MOVE Bank's policy is to apply an operational minimum of 12.5% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests.

The ratio is checked daily and should the liquidity ratio fall below this level, Management will take action to raise additional liquid funds from new deposits from members and/or access borrowing facilities available. Note 25 describes the borrowing facilities as at reporting date.

The ratio of liquid funds over the past year is set out below:

	2019	2018
Ratio to total adjusted liabilities:		
As at 30 June	23.66%	18.45%
Average for the year	19.99%	19.08%
Minimum during the year	16.69%	16.82%
Ratio to total deposits:		
As at 30 June	24.07%	18.90%

Maturity profile of financial liabilities

The table overleaf shows the undiscounted cash flows on MOVE Bank's financial liabilities, including unrecognised loan commitments on the basis of the earliest possible contractual maturity. These values will not agree to the statement of financial position.

MOVE Bank's expected cash flows on financial liabilities vary significantly from this analysis. For example, on-call deposits from members are expected to maintain a stable or increasing balance and any unrecognised loan commitments are not expected to be all drawn down immediately.

To manage the liquidity risk arising from financial liabilities, MOVE Bank holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

3. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The maturity profile of MOVE Bank's financial liabilities is shown in the following table:

Year ended 30 June 2019	Carrying value	Within 1month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	$	$	$	$	$	$	$
FINANCIAL LIABILITIES							
Deposits	603,903,702	513,626,077	16,847,944	66,047,496	8,375,467	-	604,896,984
Other payables	890,808	514,540	100,776	275,492	-	-	890,808
Total financial liabilities	604,794,510	514,140,617	16,948,720	66,322,988	8,375,467	-	605,787,792
Off balance sheet items undrawn (Note 22(b)).	-	46,680,534	-	-	-	-	-

Year ended 30 June 2018	Carrying value	Within 1month	1-3 months	3-12 months	1-5 years	No maturity	Gross nominal outflows
	$	$	$	$	$	$	$
FINANCIAL LIABILITIES							
Deposits	549,283,107	458,116,332	23,611,439	59,059,405	9,658,036	-	550,445,212
Other payables	1,179,350	648,199	251,558	279,593	-	-	1,179,350
Total financial liabilities	550,462,457	458,764,531	23,862,997	59,338,998	9,658,036	-	551,624,562
Off balance sheet items undrawn (Note 22(b)).	-	65,110,413	-	-	-	-	-

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk

Interest rate risk is the risk or variability of the fair value of future cash flows arising from financial instruments due to the changes in interest rates.

The policy of MOVE Bank is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. MOVE Bank aims to limit any loss due to a change in interest rates to be no greater than 1.5% of regulatory capital. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposit liabilities to rectify the imbalance to within acceptable levels. MOVE Bank can undertake derivative transactions to reduce the interest rate risks.

A review of the interest rate risk management profile is conducted by Management through the Asset & Liability Committee. The Board monitors interest rate risk through these reviews and other Management reports.

Based on calculations as at 30 June 2019, the profit before tax and equity impact for a 1% (2018: 1%) movement in interest rates would be as follows:

2019

Movement in interest rates	Impact on Profit before tax	Impact on Equity
1% increase	721,600	523,160
1% decrease	(721,600)	(523,160)

2018

Movement in interest rates	Impact on Profit before tax	Impact on Equity
1% increase	417,500	292,550
1% decrease	(417,500)	(292,550)

The method used in determining the sensitivity is to evaluate the profit impact based on the timing of the interest repricing on the banking book of MOVE Bank for the next 12 months. In doing the calculation the assumptions applied were that:

- The interest rate change would be applied equally to loans, term deposits and savings;
- The rate change would be as at the beginning of the 12-month period and no other rate changes would be effective during the period;
- The term deposits would all reprice to the new interest rate at the term maturity;
- Savings that are considered by MOVE Bank to be sensitive to interest rate changes would all reprice in the event of a rate change within 30 days;
- Savings that are not considered by MOVE Bank to be sensitive to interest rate changes and are as a consequence less likely to change in the future, would reprice no earlier than 1 year;
- Variable interest rate mortgage loans would all reprice to the new interest rate within 30 days;
- Fixed rate mortgage loans would all reprice at a new interest rate at the expiry of their fixed rate period.
- Variable interest rate personal loans would reprice to the new interest rate within 2 years;
- Fixed rate personal loans would not reprice as the rate is fixed for the duration of the loan;
- All loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- The value and mix of call savings to term deposits remains unchanged; and
- The value and mix of personal loans to mortgage loans remains unchanged.

There has been no significant change to MOVE Bank's exposure to market risk or the way MOVE Bank manages and measures interest rate risk in the reporting period.

3. FINANCIAL RISK MANAGEMENT (continued)

(e) Interest rate risk (continued)

Interest rate risk maturity profile

MOVE Bank's exposure to interest rate risk, which is the risk that a financial instrument's value or cash flows will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate on classes of financial assets and financial liabilities, is set out below.

2019	Floating interest rate $	Fixed interest rate maturing: Within 1 year $	1-5 years $	Over 5 years $	Non-interest sensitive $	Total $	Eff. interest rate %
ASSETS							
Cash and cash equivalents	20,570,400	2,500,000	-	-	-	23,070,400	1.45%
Investment securities	-	-	-	-	1,844,384	1,844,384	N/A
Other receivables	-	-	-	-	861,153	861,153	N/A
Financial assets at amortised cost	-	144,062,869	-	-	-	144,062,869	2.03%
Loans and advances	386,925,903	37,372,095	65,427,542	6,254,214	-	495,979,754	4.10%
Total assets	407,496,303	183,934,964	65,427,542	6,254,214	2,705,537	665,818,560	
LIABILITIES							
Deposits	500,516,392	95,062,936	8,324,374	-	-	603,903,702	2.06%
Other payables	-	-	-	-	890,808	890,808	n/a
Total liabilities	500,516,392	95,062,936	8,324,374	-	890,808	604,794,510	

2018	Floating interest rate $	Fixed interest rate maturing: Within 1 year $	1-5 years $	Over 5 years $	Non-interest sensitive $	Total $	Eff. interest rate %
ASSETS							
Cash and cash equivalents	20,391,085	-	-	-	-	20,391,085	1.73%
Financial assets AFS	-	-	-	-	1,128,715	1,128,715	N/A
Other receivables	-	-	-	-	575,376	575,376	N/A
Financial assets HTM	-	92,788,365	-	-	-	92,788,365	2.52%
Loans and advances	411,509,915	19,055,703	60,243,459	3,100,367	-	493,909,444	4.26%
Total assets	431,901,000	111,844,068	60,243,459	3,100,367	1,704,091	608,792,985	
LIABILITIES							
Deposits	437,778,539	102,022,967	9,481,601	-	-	549,283,107	1.99%
Other payables	-	-	-	-	1,179,350	1,179,350	N/A
Total liabilities	437,778,539	102,022,967	9,481,601	-	1,179,350	550,462,457	

3. FINANCIAL RISK MANAGEMENT (continued)

(f) Operational risk

Operational risk is the risk of loss to MOVE Bank resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in MOVE Bank relate mainly to legal, compliance, business continuity, data infrastructure, outsourced services, fraud and employee errors.

MOVE Bank's objective is to manage operational risk to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimise the impact.

Systems of internal control are enhanced through:

- segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of whistleblowing policies to promote a compliance culture and awareness of duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to MOVE Bank promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with loss of functionality of systems or premises or staff; and
- use of a software system designed to manage controls and compliance related tasks.

Fraud

Fraud can arise from members' banking activities including where either PIN or passwords become compromised as a result of members failing to protect them adequately. It can also arise from other system failures.

MOVE Bank has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail ADIs fraud is potentially a real cost to MOVE Bank. Fraud losses have arisen from Visa card transactions and internet banking activity.

IT Systems

MOVE Bank manages the majority of its IT environment with the contracted support of specialist organisations. MOVE Bank's investment in its IT environment and training of the IT staff is significant to ensure that MOVE Bank is able to meet member expectations and service requirements.

Other network suppliers are engaged on behalf of MOVE Bank by Indue to service the settlements with other financial institutions for direct entry, Visa cards, member chequing, New Payments Platform and BPay.

MOVE Bank's disaster recovery site is sufficiently equipped to mitigate the risk of a disaster having a significant impact on MOVE Bank's financial position.

3. FINANCIAL RISK MANAGEMENT (continued)

(g) Capital management

MOVE Bank is regulated by APRA. As a result, MOVE Bank must, for capital adequacy purposes, hold the minimum levels of capital required by Australian Prudential Standard - APS110 Capital Adequacy. As part of these requirements MOVE Bank must hold tier 1 capital and may also include tier 2 capital as part of its required capital holding up to certain prescribed limits.

Tier 1 capital comprises the highest quality components of capital that fully satisfy the following essential characteristics:

(a) provide a permanent and unrestricted commitment of funds;
(b) are freely available to absorb losses;
(c) do not impose any unavoidable servicing charge against earnings; and
(d) rank behind claims of depositors and other creditors in the event of winding up.

For the purpose of calculating MOVE Bank's capital base, tier 1 capital consists of retained earnings, realised reserves and current year earnings. MOVE Bank's tier 1 capital consists entirely of common equity tier 1 capital.

Tier 2 capital includes other components that, to varying degrees, fall short of the quality of tier 1 capital, however, still contribute to the overall strength of the financial institution as a going concern. Tier 2 capital consists of the general reserve for credit losses.

Capital held by MOVE Bank comprises:

Tier 1 Capital	2019 $	2018 $
General reserve	58,226,167	57,396,917
Retained earnings	1,725,020	933,056
Asset revaluation reserve	3,308,514	3,308,514
Asset fair value reserve	518,867	-
Capitalised loan origination and settlement costs	(150,602)	(152,547)
Prescribed deductions	(2,503,398)	(1,692,985)
Net tier 1 capital	**61,124,568**	**59,792,955**

Tier 2 Capital	2019 $	2018 $
Reserve for credit losses	1,515,724	1,426,678
Net Tier 2 capital	**1,515,724**	**1,426,678**
Total Capital	**62,640,292**	**61,219,633**
Less deductions from total capital	-	-
Total Capital	**62,640,292**	**61,219,633**

APRA requires authorised deposit-taking institutions (ADIs) to maintain a minimum capital ratio of 8% of risk weighted assets at any given time in accordance with Prudential Standards. In addition, APRA imposes ADI specific minimum capital ratios.

MOVE Bank's capital ratios as at the end of the financial year for the past 5 years are as follows:

Year	Capital ratio
2019	20.66%
2018	21.46%
2017	20.79%
2016	20.57%
2015	20.00%

The level of capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. MOVE Bank measures the capital ratio on a monthly basis and monitors any major movements in asset levels.

Policies have been implemented which require reporting to the Board and the regulator if the capital ratio falls below 15%.

During the financial year, MOVE Bank has complied in full with its capital ratio requirements.

4. SIGNIFICANT 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 continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of non-financial assets
MOVE Bank assesses impairment of all assets at each reporting date by evaluating conditions specific to MOVE Bank and to the particular asset that may lead to impairment. No impairment indicators were noted during this review.

Fair value of property, plant and equipment
Refer to Note 14.

(ii) Significant accounting estimates and assumptions

Estimation of useful life of an asset
The estimation of the useful life of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment), remainder of lease term (for leasehold improvements) and turnover policies (for motor vehicles).

In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life and adjustments are made when considered necessary.

Depreciation charges are included in Note 14.

Impairment of financial assets
The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (eg likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 2 (c)(vii).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECL.
- determining the relevant period of exposure to credit risk when measuring ECL for credit cards and revolving credit facilities.

Refer to Note 2(c)(vii) and note 2 (d) for policies regarding impairment of financial assets.

5. INCOME

	2019 $	2018 $
(a) Interest income on assets carried at amortised cost		
Cash and cash equivalents	427,693	339,037
Financial assets amortised cost	2,608,487	2,263,524
Loans and advances	20,723,759	21,021,960
Total interest income	23,759,939	23,624,521
(b) Non-interest income		
Fees and commissions	1,668,726	1,985,234
Dividends received - other corporations	43,587	77,994
Bad debts recovered	11,274	17,286
Other	172	1,174
	1,723,759	2,081,688
TOTAL INCOME	25,483,698	25,706,209

6. EXPENSES

	2019 $	2018 $
(a) Interest expense on liabilities carried at amortised cost		
Borrowings	6,973	2,283
Deposits	11,520,812	10,965,642
Total interest expense	11,527,785	10,967,925
(b) Employee benefits expense		
Wages, salaries and other employee benefits expense	5,108,242	5,913,141
Workers' compensation costs	10,406	12,194
Defined contribution superannuation expense	480,281	454,017
Total employee benefits expense	5,598,929	6,379,352
(c) Depreciation and amortisation expense		
Depreciation of property, plant and equipment		
Buildings	103,326	99,996
Plant and equipment	509,135	568,893
Total depreciation of property, plant and equipment	612,461	668,889
Amortisation of intangible assets		
Computer software	294,253	357,751
Total amortisation of intangible assets	294,253	357,751
Total depreciation and amortisation expense	906,714	1,026,640
(d) Impairment		
Impairment of loans and advances	577,961	890,909
(e) Other expenses		
Audit and other accounting expenses	164,560	260,390
Director fees and other expenses	388,498	371,877
Information technology expenses	1,140,959	1,173,375
Marketing and promotion expenses	493,104	774,338
Member transaction expenses	912,329	913,287
Operating lease expenses	254,135	248,163
Other occupancy expenses	205,636	222,684
Other expenses	676,176	822,529
Telephone and postage expenses	288,896	349,510
Total other expenses	4,524,293	5,136,153

7. INCOME TAX

	2019 $	2018 $
(a) Income tax expense		
The major components of income tax expense are:		
Deferred tax adjustments resulting from reduction in tax rate		
Current income tax charge	677,553	747,146
Deferred tax adjustments resulting from reduction in tax rate	6,332	-
Over provision of income tax in prior year	(23,397)	(35,095)
Relating to origination and reversal of temporary differences	(37,492)	(339,877)
Income tax expense	622,996	372,174

(b) Reconciliation of income tax expense to prima facie tax payable

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by MOVE Bank's applicable income tax rate is as follows:

	2019 $	2018 $
Accounting profit before tax	2,348,016	1,305,230
At company statutory income tax rate of 27.5% (2018: 30%)	645,705	391,569
Adjustments in respect of current income tax of previous years		
Non-deductible entertainment	7,899	15,702
Rebatable fully franked dividends	(18,680)	(10,028)
Opening deferred tax adjustments from reduction in tax rate	6,332	-
Other non-deductible items	5,137	10,026
Over provision of income tax in prior year	(23,397)	(35,095)
Aggregative income tax expense	622,996	372,174

(c) Recognised deferred tax assets and liabilities

Deferred income tax at 30 June relates to the following:

	2019 $	2018 $
(i) Deferred tax liabilities		
Land & buildings - recognised in other comprehensive income	256,983	280,345
Land & buildings - recognised in profit or loss	370,769	464,568
Other receivables	34,474	-
Shares – recognised in other comprehensive income	196,812	-
Gross deferred tax liabilities	859,038	744,913
(ii) Deferred tax assets		
Provisions	579,492	603,959
Depreciation	112,152	118,454
Other	71,435	102,144
Gross deferred tax assets	763,079	824,557
Net deferred tax asset/(liabilities)	(95,959)	79,644

7. INCOME TAX (continued)

(d) The movement in deferred tax assets and liabilities for each temporary difference during the year is as follows:

Deferred income tax at 30 June relates to the following:

	2019 $	2018 $
(i) Deferred tax liabilities		
Land & buildings – recognised in other comprehensive income		
Opening balance	280,345	280,345
Change in tax rate applicable 1 July 2018	(23,362)	-
Closing balance	256,983	280,345
Land & buildings – recognised in profit or loss		
Opening balance	464,568	516,134
Prior year adjustment	306	562
Change in tax rate applicable 1 July 2018	(39,020)	-
Change recognised in profit or loss	(55,085)	(52,128)
Closing balance	370,769	464,568
Other receivables		
Opening balance	-	-
Change recognised in profit or loss	34,474	-
Closing balance	34,474	-
Shares – recognised in other comprehensive income		
Opening balance	-	-
Opening balance adjustment	196,812	
Closing balance	196,812	-
Gross deferred tax liabilities	859,038	744,913
(ii) Deferred tax assets		
Provisions		
Opening balance	603,959	445,586
Prior year adjustment	(9,965)	-
Change in tax rate applicable 1 July 2018	(50,330)	-
Change recognised in profit or loss	35,828	158,373
Closing balance	579,492	603,959
Depreciation		
Opening balance	118,454	51,515
Prior year adjustment	319	(20,040)
Change in tax rate applicable 1 July 2018	(9,872)	-
Change recognised in profit or loss	3,251	86,979
Closing balance	112,152	118,454

7. INCOME TAX (continued)

	2019 $	2018 $
Other		
Opening balance	102,144	59,747
Change in tax rate applicable 1 July 2018	(8,512)	-
Change recognised in profit or loss	(22,197)	42,397
Closing balance	71,435	102,144
Gross deferred tax assets	763,079	824,557
Net deferred tax asset/(liabilities)	(95,959)	79,644

(e) Franking credit balance

Balance of the franking account at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends receivable at the end of the reporting period based on a tax rate of 27.5% (2018: 30%)	24,889,831	24,314,964

8. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Deposits with ADI	23,070,400	20,391,085
	23,070,400	20,391,085

(a) Reconciliation to Statement of Cash Flows

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

Deposits with ADI	23,070,400	20,391,085
	23,070,400	20,391,085

(b) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

9. INVESTMENT SECURITIES

	2019 $	2018 $
At fair value through other comprehensive income (FVOCI)		
Investment securities	1,844,384	1,128,715
	1,844,384	1,128,715
Amount of investment securities expected to be recovered more than 12 months after the reporting date	1,844,384	1,128,715

(a) Shares in Cuscal Limited (Cuscal) and Indue Ltd (Indue)

The shareholdings in Cuscal and Indue are measured at their fair value and any fair value changes are recognised through other comprehensive income. These companies provide transactional banking solutions to various financial institutions across Australia. The shares are not publicly traded and are not redeemable. MOVE Bank is not able to dispose of these shares without the Board's approval.

10. OTHER RECEIVABLES

	2019 $	2018 $
Accrued interest	610,050	385,451
Sundry debtors	251,103	189,925
	861,153	575,376
Amount of other receivables expected to be recovered more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

11. FINANCIAL ASSETS AT AMORTISED COST

ADI interest bearing deposits	144,062,869	92,788,365
	144,062,869	92,788,365
Amount of financial assets amortised cost expected to be recovered more than 12 months after the reporting date	18,300,000	24,700,000

(a) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

12. LOANS AND ADVANCES

Overdrafts	59,560,122	71,663,163
Term loans	437,855,336	423,588,433
Gross loans and advances	497,415,458	495,251,596
Deferred application fees	(254,445)	(262,432)
Deferred loan document and settlement costs	150,602	152,547
Provisions for credit impairment losses (Note 13)	(1,331,861)	(1,232,267)
Net loans and advances	495,979,754	493,909,444
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	473,189,094	470,692,371

(a) Collateral held

MOVE Bank holds collateral against loans and advances to members as detailed below:

Loans and advances with no collateral	15,476,708	19,834,109
Loans and advances with collateral	481,938,750	475,417,487
Gross loans and advances	497,415,458	495,251,596

Where collateral is held, it is in the form of mortgage interests over property, other registered securities over assets, mortgage insurance and guarantees. The fair value of the collateral is measured at the time of providing the loan and advance and is required to be no less than 100% of the loan or advance not including capitalised fees and insurances. The fair value of the collateral is generally not updated except when a loan or advance is individually assessed as impaired. Collateral is usually not held over loans and advances to, or deposits with, other financial institutions. Collateral is usually not held against non-property investment securities.

(b) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

13. IMPAIRMENT OF LOANS AND ADVANCES

Inputs, assumptions and techniques used for estimating impairment

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

Impaired exposures under the expected credit loss model consist of:

- Retail loans which are contractually 90 days or more past due with insufficient security to cover principal and arrears of interest revenue.
- Retail loans that are subject to a debt repayment arrangement with MOVE Bank and the customer's other creditors.
- Off-balance sheet credit exposures where current circumstances indicate that losses may be incurred.

Assessment of significant increase in credit risk:

When determining whether the risk of default has increased significantly since initial recognition, MOVE Bank considers both quantitative and qualitative information, including expert credit risk assessment, forward looking information and analysis based on MOVE Bank's historical experience.

For retail facilities MOVE Bank uses the number of days past due (DPD) to determine significant increase in credit risk. At a minimum, MOVE Bank considers that significant increase in credit risk occurs when an asset is more than 30 days past due (DPD).

Calculation of expected credit losses

Refer to note 2(o)(ii) for explanation of how MOVE Bank calculates expected credit losses.

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 and the 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.

Write off

Loans and advances are written off when there is no realistic prospect of recovery. This is generally the case when MOVE 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with MOVE Bank's procedures for recovery of amounts due.

(a) Provision for impairment calculation

	2019 $	2018 $
Collective Provision – Lifetime ECL – credit-impaired	692,538	748,451
Collective Provision – Lifetime ECL – not credit-impaired	516,945	385,452
Collective Provision – 12-months ECL	122,378	98,364
Total provision for impairment	1,331,861	1,232,267

The opening balance for the impairment provision measured under AASB 139 is now presented as 12-months and lifetime expected credit losses following the adoption of AASB 9, with no restatement to prior period comparatives. Refer to Note 2(o) for information on the adoption of AASB 9.

13. IMPAIRMENT OF LOANS AND ADVANCES (continued)

(b) Allowance for impairment

The following tables show reconciliations from the opening to the closing balance of the allowance for impairment by class of financial instrument. An explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2(c). Comparative amounts for 2018 represent allowance account for credit losses and reflect measurement basis under AASB 139.

Loans and advances to members at amortised cost*

	2019				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Specific Provision	Total
Balance at 1 July 2018 per AASB 139	-	-	-	1,232,267	1,232,267
Adjustment on application of AASB 9	98,364	385,452	748,451	(1,232,267)	-
Balance at 1 July 2018 per AASB 9	98,364	385,452	748,451	-	1,232,267
Transfer to 12-month ECL	363,254	(172,737)	(190,517)	-	-
Transfer to lifetime ECL not credit-impaired	(368,425)	386,352	(17,927)	-	-
Transfer to lifetime ECL credit-impaired	(288,464)	(114,494)	402,958	-	-
Bad debts written off	-	-	(472,592)	-	(472,592)
Net remeasurement of loss allowance	317,649	32,372	227,940	-	577,961
Other movements	-	-	(5,775)	-	(5,775)
Balance at 30 June 2019	122,378	516,945	692,538	-	1,331,861

*The allowance for impairment in these tables includes ECL on loan commitments for certain retail products such as credit cards and overdrafts, because the MOVE Bank cannot separately identify the ECL on the loan commitment component from those on the financial instrument component.

Specific Provision - 2018	2018 $
Balance at beginning of the year	564,970
Bad debts written off	(223,612)
Impairment expense in the profit or loss	890,909
Balance at end of year	1,232,267

Impact of movements in gross carrying amount on provision for impairment

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

- MOVE Bank increased the gross carrying amount of the loan book by less than 1% over the financial year. The stage 1 loss allowance mainly increased because the losses incurred from unforeseen events such as member bankruptcy that arose during the current financial year.
- In October 2018, MOVE Bank introduced a requirement for members to repay a minimum payment to service their unsecured overdraft on a monthly basis. This has caused an increase in the level of stage 2 loans being recognised in the current financial year.
- The write-off of loans with a total gross carrying amount of $472,592 resulted in the reduction of the Stage 3 loss allowance. The majority of these losses were recognised in opening balance of the stage 3 allowance for the current financial year. The majority of the reduction in the stage 3 loss allowance relates the specific provision for a mortgage loan that is no longer credit-impaired and had a security value less than the outstanding loan at 30 June 2018.

13. IMPAIRMENT OF LOANS AND ADVANCES (continued)

(b) Allowance for impairment (continued)

Financial assets at amortised cost

No provision for impairment is required against financial assets at amortised cost as they are deposits with ADIs. MOVE Bank considers these assets to have a low credit risk as the ADIs have a credit rating that is "investment grade" or if the ADI is unrated, the ADI is highly capitalised (see note 3(c)(ii)).

Impaired financial assets - Comparative information under AASB 139

Credit-impaired financial assets (2018: impaired financial assets)

Credit-impaired loans and advances are loans which are 90 days past due or that are on debt repayment plans under MOVE Bank's internal credit risk grading system (see Note 2(c) for details).

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired (2018: impaired) loans and advances to members.

	2019 $	2018 $
Credit-impaired (2018: Impaired) loans and advances to members		
Balance at 1 July per AASB 139	977,821	493,960
Adjustment on initial application of AASB 9	-	-
Balance at 1 July per AASB 9	977,821	493,960
Classified as credit-impaired during the year	1,588,020	1,237,765
Transferred to not credit-impaired during the year	(278,125)	(176,402)
Net repayments	(23,449)	(86,114)
Write-offs	(472,592)	(223,612)
Other movements	(136)	-
Credit-impaired loans and advances to members at 30 June	1,791,539	1,245,597

The contractual amount outstanding on financial assets that were written off during the year ended 30 June 2019 and that are still subject to enforcement activity is $nil (2018: $nil).

14. PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Land and buildings		
At valuation	4,000,000	4,000,000
Accumulated depreciation	(203,322)	(99,996)
Net carrying amount	3,796,678	3,900,004
Plant and equipment		
At cost	3,503,994	3,297,290
Accumulated depreciation	(2,754,309)	(2,245,183)
Net carrying amount	749,685	1,052,107
Total property, plant and equipment		
At valuation	4,000,000	4,000,000
At cost	3,503,994	3,297,290
	7,503,994	7,297,290
Accumulated depreciation and impairment	(2,957,631)	(2,345,179)
Net carrying amount	4,546,363	4,952,111

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Reconciliation of carrying amounts at the beginning and end of the period

	2019 $	2018 $
Land and buildings		
Net carrying amount at beginning of the year	3,900,004	4,000,000
Revaluation	-	-
Depreciation charge	(103,326)	(99,996)
Balance at the end of the year	3,796,678	3,900,004
Plant and equipment		
Net carrying amount at beginning of the year	1,052,107	1,531,655
Additions	206,713	89,345
Depreciation charge for the year	(509,135)	(568,893)
Balance at the end of the year	749,685	1,052,107

(b) Revaluation of land and buildings

The valuations of freehold land and buildings were carried out by an independent firm, John Watt and Associates Valuers and Development Consultants on 18 March 2017.

The current market value of the property has been assessed based on direct comparison reflecting a rate per square metre of floor area with a check valuation carried out on the basis of a capitalisation of the estimated net return. The revaluation was based on this market value. The revaluation was made in accordance with a policy to revalue land and buildings every three years. Land and buildings were revalued to $4,000,000 as at 30 June 2019 based on directors' most recent valuation.

If revalued land and buildings were stated at historical cost, amounts would be as follows:

	2019 $	2018 $
Cost	1,347,967	1,347,967
Accumulated depreciation	(1,231,892)	(1,177,973)
Net book value	116,075	169,994

15. INTANGIBLE ASSETS

	2019 $	2018 $
Computer software		
At cost	2,666,170	2,197,529
Accumulated amortisation	(2,007,156)	(1,712,903)
Net carrying amount	659,014	484,626

(a) Reconciliation of carrying amount at beginning and end of the period

	2019 $	2018 $
Computer software		
Balance at the beginning of the year at cost	484,626	701,000
Additions	468,641	229,895
Disposals and write offs	-	(88,518)
Amortisation expense	(294,253)	(357,751)
Balance at the end of the year	659,014	484,626

16. DEPOSITS

	2019 $	2018 $
Call deposits (including withdrawable shares)	500,516,392	437,778,539
Term deposits (including accrued interest)	103,387,310	111,504,568
	603,903,702	549,283,107
Amount of deposits expected to be settled more than 12 months after the reporting date	8,324,374	9,481,601

(a) Concentration of deposits

There are no concentrations of deposits greater than 10% of total deposits.

(b) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

17. OTHER PAYABLES

	2019 $	2018 $
Annual leave and other employee entitlements	376,268	531,151
Sundry creditors and accrued expenses	514,540	648,199
	890,808	1,179,350
Amount of other payables expected to be paid more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 29(c) for details of the fair value of these financial instruments.

18. PROVISIONS

	2019 $	2018 $
Long service leave and associated costs	564,405	567,415
Amount of provisions expected to be paid more than 12 months after the reporting date	240,693	145,127

19. REDEEMED PREFERENCE SHARE CAPITAL

	2019 $	2018 $
Redeemed preference share capital	213,900	199,140

Under the *Corporations Act 2001* member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

20. RESERVES

	Credit loss reserve (a) $	Asset revaluation reserve (b) $	Fair value reserve (c) $	General reserve (d) $	Total $
At 1 July 2017	955,056	3,308,514	-	57,882,459	62,146,029
Transfers					
Credit loss reserve	471,622	-	-	(471,622)	-
General reserve	-	-	-	919,136	919,136
At 30 June 2018	1,426,678	3,308,514	-	58,329,973	63,065,165
Change of accounting policy					
Remeasurement of investment securities held at cost to FVOCI under AASB 9	-	-	518,867	-	518,867
Restated at 1 July 2018	1,426,678	3,308,514	518,867	58,329,973	63,584,032
Transfers					
Credit loss reserve	89,046	-	-	(89,046)	-
General reserve	-	-	-	1,710,260	1,710,260
At 30 June 2019	1,515,724	3,308,514	518,867	59,951,187	65,294,292

Nature and purpose of reserves

(a) Credit loss reserve

The credit loss reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards as set by APRA. The Board maintained its policy for the calculation of the Credit Loss Reserve of requiring a reserve of 0.50% of credit risk weighted assets.

(b) Asset revaluation reserve

The asset revaluation reserve records revaluations of land and buildings.

(c) Fair value reserve

The fair value reserve records the movement in the fair value of investment securities at each reporting date.

(d) General reserve

The general reserve records funds set aside for future expansion and to ensure the prudential strength of MOVE Bank.

21. CASH FLOW STATEMENT RECONCILIATION

(a) Cash flows presented on a net basis

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

- Deposits in and withdrawals from savings and other deposit accounts;
- Sales and purchases of dealing securities (if applicable);
- Sales and purchases of maturing certificates of deposit; and
- Provision of member loans and the repayment of such loans.

(b) Reconciliation of net profit after tax to net cash flows from operating activities	2019 $	2018 $
Net profit	1,725,020	933,056
Adjustments for:		
Depreciation	612,461	668,889
Amortisation	294,253	357,751
Impairment of loans and advances	577,961	890,909
Net loss on disposal of intangible assets	-	88,518
Changes in assets and liabilities		
(Increase)/decrease in other receivables	(285,777)	186,202
(Increase)/decrease in financial assets amortised cost	(51,274,504)	17,946,538
(Increase)/decrease in loans and advances	(2,648,271)	(17,959,170)
(Increase)/decrease in other assets	(42,337)	(4,710)
(Decrease)/increase in current tax payable	88,021	450,818
(Decrease)/increase in provisions	(3,010)	(116,097)
(Decrease)/increase in other payables	(288,542)	281,551
(Decrease)/increase in net deferred taxes	(21,201)	(319,275)
(Decrease)/increase in deposits	54,620,595	(2,787,358)
Net cash inflows from operating activities	3,354,669	617,622

22. COMMITMENTS

(a) Leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable monthly in advance:

	2019 $	2018 $
Within one year	265,032	244,899
After one year but not more than five years	74,748	322,007
After more than five years	-	-
Total minimum lease payments	339,780	566,906

22. COMMITMENTS (continued)

(a) Leasing commitments (continued)

Operating lease commitments comprise 3 leases:

- Ground Floor, 179 Ann Street, Brisbane - a five-year extension of lease with monthly payments in advance. The lease expires on 30 June 2020.
- Rockhampton Regional Office - this lease is currently operating on a month to month basis with negotiations in progress for establishment of a fixed term lease.
- Central Railway Station, Brisbane (Plaza Level) – a five-year lease with monthly payments in advance effective from 16 December 2015 and expiring 15 December 2020.

(b) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

	2019 $	2018 $
Loans approved but not funded	7,827,246	10,505,316
Undrawn overdrafts	38,853,288	54,605,097

23. CONTINGENCIES

Credit Union Financial Support Scheme (CUFSS)

MOVE Bank is a participant in CUFSS. The purpose of the CUFSS is to protect the interests of Credit Union members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need. The balance of the debt at 30 June 2019 was Nil (2018: Nil).

24. AUDITORS' REMUNERATION

The auditor of MOVE Bank is BDO Audit Pty Ltd.

	2019 $	2018 $
Amounts received or due and receivable by BDO Audit Pty Ltd for:		
An audit or review of the financial report of MOVE Bank	78,000	76,500
Regulatory or prudential audits	42,600	41,500
	120,600	118,000

25. STANDBY BORROWING FACILITIES

MOVE Bank has a gross borrowing facility of:

	Approved Facility $	Current Borrowing $	Net Available $
2019			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
2018			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000

The borrowing facilities are not secured and there are no restrictions in relation to these facilities.

26. KEY MANAGEMENT PERSONNEL

(a) Directors

The names of the Directors of MOVE Bank who have held office during the financial year are:

Andrew R Haynes
Bronwyn (Bron) D Davies
Kellie L Dyer
Andrew J Hughes
Sean H O'Donnell (Retired 13 May 2019)
Scott J Riedel
Michael (Mick) F Skinner

(b) Remuneration of Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of MOVE Bank, directly or indirectly, including any Director (whether executive or otherwise) of MOVE Bank.

KMP comprises 7 Directors (2018: 7) and 8 members of the Management (2018: 8) responsible for the day-to-day financial and operational management of MOVE Bank. Remuneration of KMP also includes 1 additional manager who left the employment of MOVE Bank during the year.

The names of managers who are KMP in office as at reporting date were:

Therese Turner, Chief Executive Officer (CEO)
Jeff Urquhart, Chief Financial Officer (CFO)
Bernard Luton, Company Secretary and Chief Risk Officer (CRO)
Nikki Hutson, Chief People Officer (CPO)
Geoff Ryan, Chief Information Officer (CIO)
Rachel Young, Chief Experience Officer (CXO)
Stephen Shorten, Lending Manager
Melissa Treacy, Compliance Manager and Legal Counsel

The aggregate compensation of KMP during the year comprising of amounts paid, payable or provided for was as follows:

	Directors		Other KMP	
	2019	2018	2019	2018
	$	$	$	$
Short-term employee benefits	282,704	251,303	1,602,679	1,447,212
Termination payment (including long service leave and annual leave)	-	-	1,686	501,207
Post-employment (including superannuation)	26,857	23,874	132,990	112,341
Other long-term (including long service leave and annual leave)	-	-	163,033	137,366
	309,561	275,177	1,900,388	2,198,126

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

All remuneration to Directors was approved by the members at the previous Annual General Meeting of MOVE Bank.

26. KEY MANAGEMENT PERSONNEL (continued)

(c) Loans to KMP and their Close Family Members

All loans disbursed to KMP were approved on the same terms and conditions applicable to members for each class of loan, except for those KMP who are not Directors. There are no loans that are impaired in relation to the loan balances with KMP.

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

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

	2019	2018
	$	$
The aggregate value of loans	4,445,390	6,331,917
The total value of other credit facilities to KMP as at the balance date amounted to:	103,000	193,000
Less amounts drawn down and included in the above balance	(18,025)	(37,540)
Net balance available	84,975	155,460
Term loans	-	343,852
	-	343,852
During the year the aggregate value of revolving credit facility limits granted or increased to KMP amounted to:	-	-
Interest and other revenue earned on loans and revolving credit facilities to KMP and related parties	180,017	230,605

(d) Other Transactions of KMP and their Close Family Members

KMP have received interest on deposits with MOVE Bank during the financial year. Interest has been paid to Directors on terms and conditions no more favourable than those available on similar transactions to members of MOVE Bank. During the year MOVE Bank provided a 1% bonus interest rate on term deposits to Executives and other staff members, with two executives receiving bonus interest. This staff benefit was discontinued from 1 July 2019 for all new term deposits.

	2019	2018
	$	$
Total value term and savings deposits at year end	1,070,578	996,583
Total interest paid on deposits	18,796	14,555

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

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.

27. EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

No matters or circumstance have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of MOVE Bank in subsequent financial years.

28. CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

	2019 $	2018 $
Loans and receivables - measured at amortised cost		
Cash and cash equivalents	23,070,400	20,391,085
Other receivables	861,153	575,376
Loans and advances	495,979,754	493,909,444
	519,911,307	514,875,905
Amortised cost investments - measured at amortised cost		
Financial assets amortised cost	144,062,869	92,788,365
Financial assets at fair value through other comprehensive income		
Investment securities	1,844,384	1,128,715
Financial liabilities measured at amortised cost		
Deposits	603,903,702	549,283,107
Other payables	890,808	1,179,350
	604,794,510	550,462,457

29. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

MOVE Bank measures fair values of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:
  - quoted market prices in active markets for similar instruments
  - quoted prices for identical or similar instruments in markets that are considered less than active; or
  - other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values for assets and liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of assets and liabilities that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

(b) Fair value estimates

The fair value estimates were determined as follows:

Cash and cash equivalents and other receivables

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

Investments

(i) Assets measured at fair value through other comprehensive income (FVOCI)

The shareholdings in Cuscal and Indue are measured at fair value and any changes in that fair value are recognised through other comprehensive income under AASB 9. These companies were created by credit unions to supply services to the shareholding credit unions. In the prior year, they were measured at cost under AASB 139.

During the 2015/16 year, MOVE Bank purchased shares in Indue which now provides the banking services to MOVE Bank. The shares in both companies are not able to be publicly traded and are not redeemable.

The financial reports of Cuscal and Indue record net tangible assets backing of these shares exceeding their cost value. Shares may be sold to other shareholders of the companies.

The fair value of the shareholdings in Cuscal and Indue was determined using an adjusted net tangible assets calculation.

(ii) Assets measured at amortised cost

The carrying values of financial assets amortised cost approximate their fair value due to the short-term maturities of these securities.

29. FAIR VALUE MEASUREMENT (continued)

(b) Fair value estimates (continued)

Loans and advances

For variable rate loans the carrying value is a reasonable estimate of fair value. The fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2019.

Other payables

The carrying value approximates their fair value as they are short term in nature.

Deposits

The fair value of at call and variable rate deposits, and fixed rate deposits repriced within twelve months, approximates the carrying value. Discounted cash flow models based upon deposit types and related maturities were used to calculate net fair value of other term deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2019.

(c) Financial assets and liabilities

The table below summarises the fair values of financial assets and liabilities at reporting date.

		2019		2018	
		Carrying value	Fair value	Carrying value	Fair value
	Note	$	$	$	$
Financial Assets					
Cash and cash equivalents	8	23,070,400	23,070,400	20,391,085	20,391,085
Other receivables	10	861,153	861,153	575,376	575,376
Financial assets at amortised cost	11	144,062,869	144,062,869	92,788,365	92,788,365
Loans and advances	12	495,979,754	502,157,647	493,909,444	495,782,056
Investment securities	9	1,844,384	1,844,384	1,128,715	1,128,715
Financial Liabilities					
Deposits	16	603,903,702	604,570,842	549,283,107	549,585,638
Other payables	17	890,808	890,808	1,179,350	1,179,350

The values reported have not been adjusted for any changes in credit ratings of the assets.

(d) Fair value hierarchy levels

The table below categorises assets and liabilities measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total
2019	$	$	$	$
Financial Assets				
Investment securities	-	-	1,844,384	1,844,384
Non-Financial Assets				
Land and buildings	-	-	3,796,678	3,796,678
	-	-	5,641,062	5,641,062
2018				
Financial Assets				
Investment securities	-	-	1,128,715	1,128,715
Non-Financial Assets				
Land and buildings	-	-	3,900,004	3,900,004
	-	-	5,028,719	5,028,719

(d) Fair value hierarchy levels (continued)

Transfers into and out of the different fair value hierarchy levels are recognised at the date the event or change in circumstances that caused the transfer to occur. There have been no significant transfers into or out of each level during the year ended 30 June 2019 or the prior year.

The table below categorises assets and liabilities not measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	Level 2	Level 3	Total Fair Values	Total Carrying Amount
	$	$	$	$	$
2019					
Financial Assets					
Investments	-	144,062,869	-	144,062,869	144,062,869
Loans and advances	-	502,157,647	-	502,157,647	495,979,754
Financial Liabilities					
Deposits	-	604,570,842	-	604,570,842	603,903,702
2018					
Financial Assets					
Investments	-	92,788,365	-	92,788,365	92,788,365
Loans and advances	-	495,782,056	-	495,782,056	493,909,444
Financial Liabilities					
Deposits	-	549,585,638	-	549,585,638	549,283,107

(e) Level 3 fair value hierarchy

	2019	2018
	$	$
Movements in level 3 of the fair value hierarchy		
Balance at the beginning of the financial year	5,028,719	5,128,715
Losses recognised in profit or loss	(103,326)	(99,996)
Gains recognised through fair value reserve – refer Note 2(o)	715,669	-
Balance at the end of the financial year	5,641,062	5,028,719
Total gains/losses for the period included in other income in profit or loss that relate to assets held at the end of the reporting period	-	-

29. FAIR VALUE MEASUREMENT (continued)

(e) Level 3 fair value hierarchy (continued)

Valuation techniques used to derive level 3 fair values recognised in the financial statements

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Description	Valuation approach	Unobservable inputs	Range of inputs	Relationship between unobservable inputs and fair value
Land and Buildings	Sale price comparison approach undertaken by an external valuer or the Board. Sales prices of comparable land and buildings in a similar location are adjusted for differences in key attributes such as property size and standard. The valuation model is based on a price per square metre.	Sale Prices	$2,972 to $5,000 per square metre	The greater the sales price per square metre of the property the greater the fair value.

Directors' Declaration

The Directors of Railways Credit Union Limited trading as MOVE Bank declare that:

(a) The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001* and:

(i) comply with Australian Accounting Standards and Interpretations and the *Corporations Regulations 2001*; and

(ii) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date.

(b) Railways Credit Union Limited has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards; and

(c) In the Directors' opinion, there are reasonable grounds to believe that Railways Credit Union Limited will be able to pay its debts as and when they become due and payable.

Signed for and on behalf of the Directors in accordance with a resolution of the Board of Directors

Andrew Haynes

Andrew R Haynes
Chair
Brisbane

Scott J Riedel

Scott J Riedel
Director
Brisbane

Dated this 25th day of September 2019.

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INDEPENDENT AUDITOR'S REPORT

To the members of Railways Credit Union Ltd (trading as MOVE Bank)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Railways Credit Union Ltd (trading as MOVE Bank) (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss & other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Railways Credit Union Ltd (Trading as MOVE Bank), is in accordance with the *Corporations Act 2001*, including:

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

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

Paul Gallagher

P A Gallagher
Director

Brisbane, 25 September 2019

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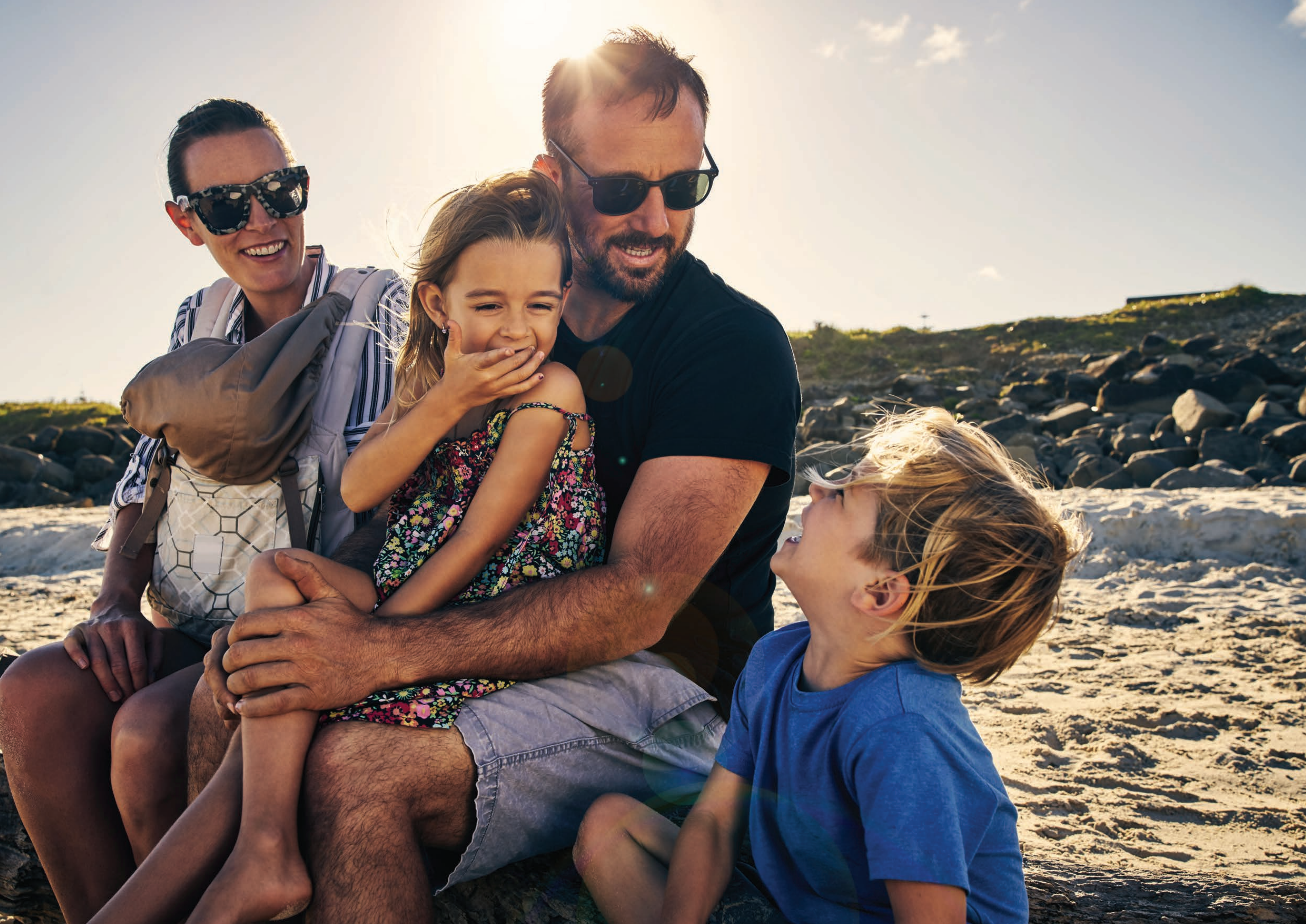

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ABN 91 087 651 090 **AFSL/Australian credit licence 234536**
Railways Credit Union Limited trading as MOVE Bank