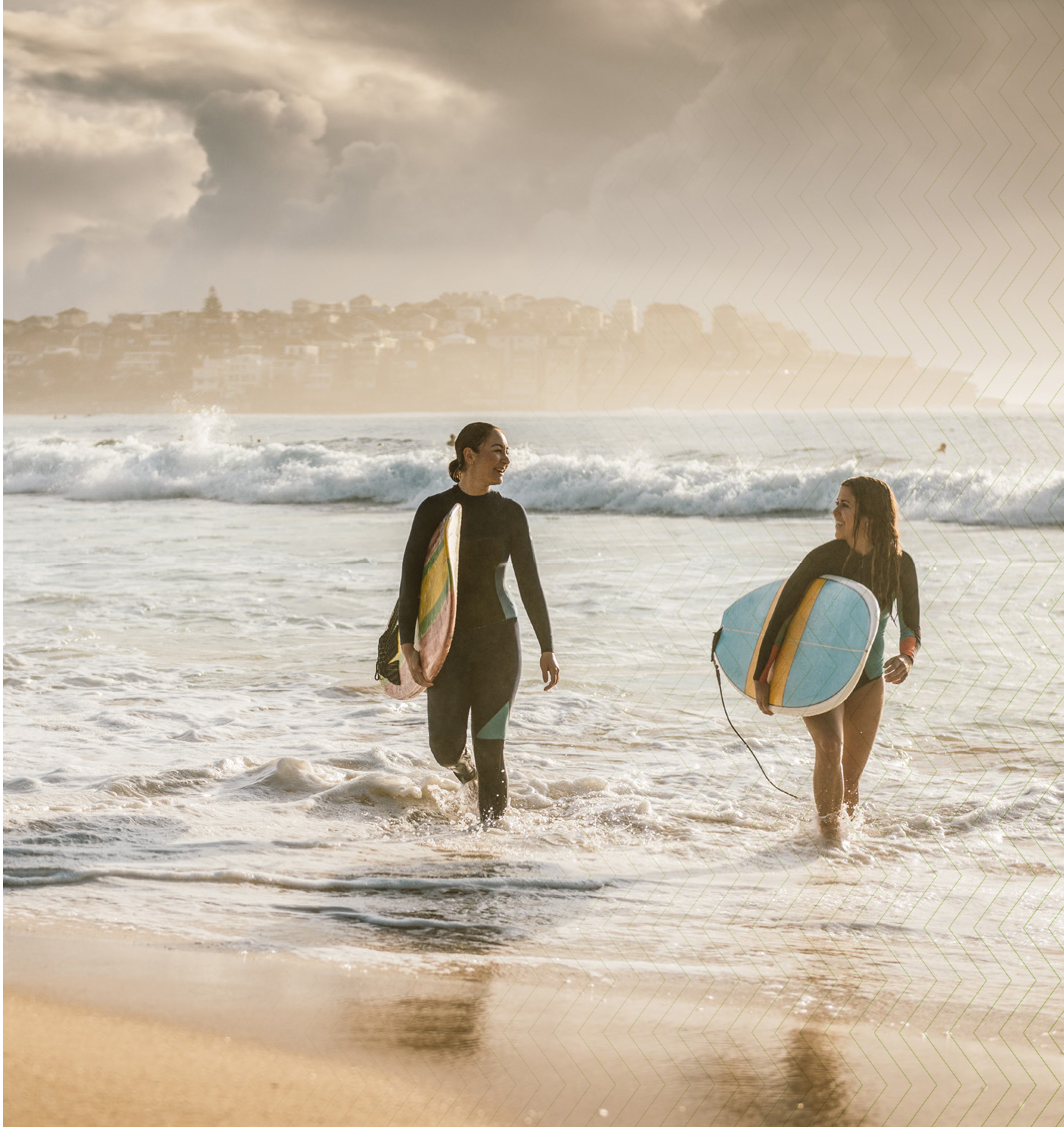
ANNUAL REPORT

2020

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	Bronwyn Davies - *Chair* Andrew Hughes Bill Armagnacq Kellie Dyer Mick Skinner Scott Riedel Tim Staley
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*



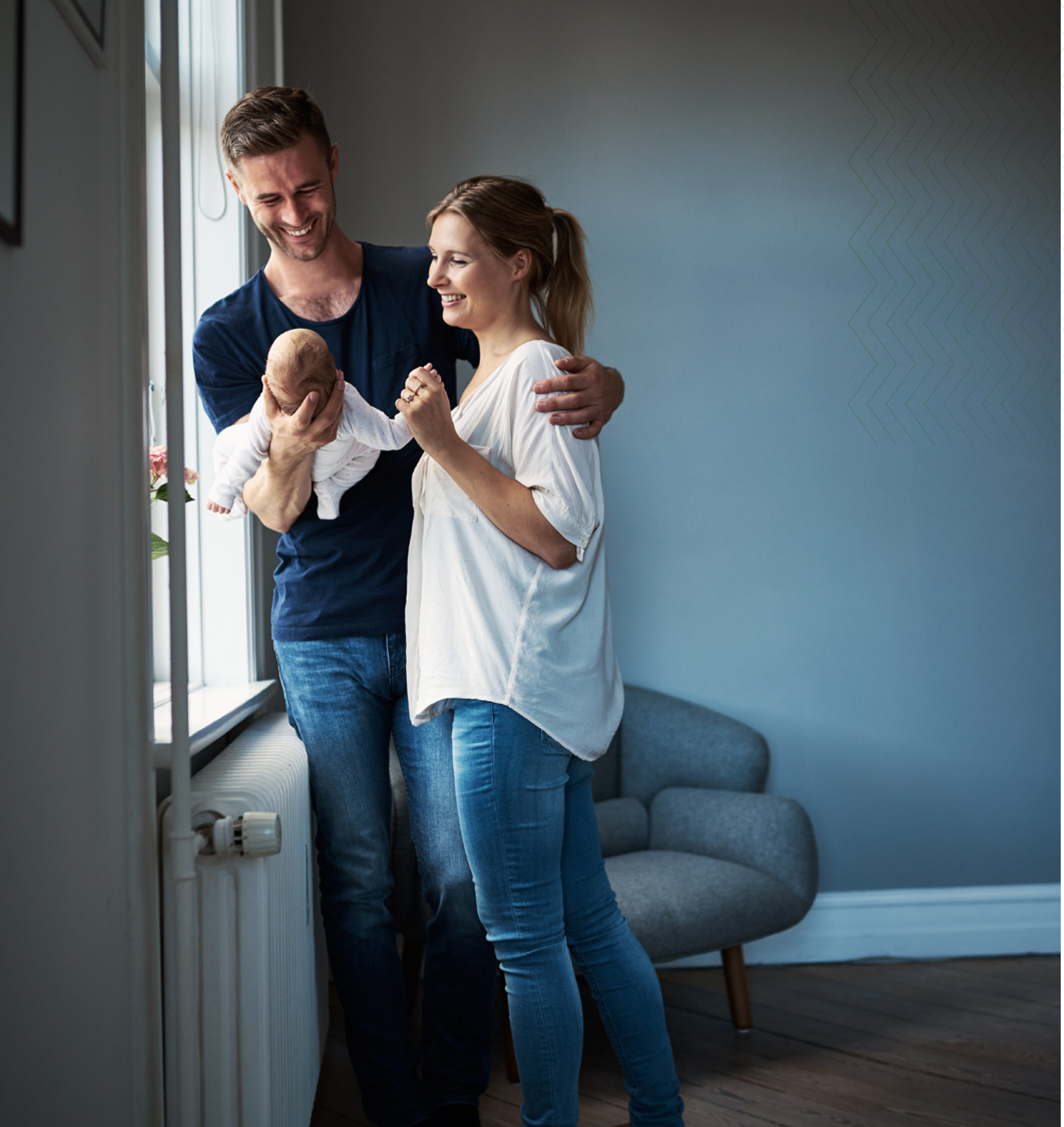


TABLE OF

Contents

FROM YOUR

Chair

Bron Davies

The past financial year has been tumultuous for all Australians.

Whether we were part of communities who faced the destruction of bushfires and floods or we watched this devastation on the news, we all shared the grief of those who had to live through a situation no-one could wish to experience. And now as we adjust to the continuing unknown health and economic impacts of the COVID-19 pandemic we are drawing on unexpected depths of resilience as individuals, families and the broader community.

These events have reshaped our world, driving us to adapt and innovate in our day to day lives. As an organisation we responded quickly to these demands, focusing on supporting both our staff and our members to be able to navigate these challenging times. This included moving our staff to working from home whilst seamlessly continuing to serve our members, and providing support and relief to our members through temporary fee relief and the opportunity to defer loan repayments.

Our team continues to actively work with those members who have applied for relief, and I am encouraged to report the level of COVID-19 hardships at MOVE Bank is less than our peers in the customer-owned banking sector, and significantly lower than the average of the wider banking industry. We will continue to provide support to members as the situation with COVID-19 evolves.

"These events have driven us to adapt and innovate in our day to day lives."

I am incredibly proud of the MOVE Bank staff for the speed of our initial response to COVID-19 and the continued focus to anticipate and respond to the concerns of our members, and to do so in a way that we knew was the right thing to do.

Strong and secure

Despite the ongoing economic uncertainty and record-low interest rates, MOVE Bank remains in a strong and secure position.

This year we received 21 awards from Australia's most respected industry ratings websites and publications, including Australia's Best Small Mutual Bank by Mozo and Personal Lender of the Year by *Money* magazine.

These awards independently confirm that we offer outstanding value for members and they have been a key contributor to member growth.

While the pandemic impacted achievement of our loan growth targets, we continued to focus on delivering sustainable loan growth and expanding our business into New South Wales and Victoria. I'm pleased to report that 16% of our loan portfolio is now outside Queensland.

We continue to focus on lending through mortgage brokers, with MOVE Bank joining the lending panel of an additional aggregator. In the year ahead, we remain focused on expanding the reach of our broker channel and we're confident that our competitive pricing and award-winning products will generate sustainable loan growth and support us to help more Australians reach their financial goals.

Board Update

After 11 years of service to MOVE Bank as Director since 2009 and Chair from 2016-2019, Andrew Haynes retired from the Board of Directors in March. I would like to thank Andrew for his contribution to MOVE Bank during his tenure.

I also welcome to the board, and look forward to working with, Bill Armagnacq and Tim Staley. Bill and Tim possess a breadth of business experience and industry knowledge that complement and expand the skills base of your board.

In my first report as Chair, I am proud of the achievements of MOVE Bank during these difficult times. This would not have been possible without the tireless work and dedication of every staff member, the leadership team, and of course CEO Therese Turner.

I am confident that our solid financial position, digital capabilities and member-first commitment will allow us to embrace both the known and unknown challenges to come and deliver on our strategic goals in the year ahead.

I thank you for the trust that you place in MOVE Bank and for your continued support.

Bron Davies
CHAIR

Our Board

The MOVE Bank Board

From left to right:
Andrew Hughes, Kellie Dyer, Mick Skinner, Bron Davies - *Chair*, Scott Riedel, Bill Armagnacq, Tim Staley

FROM YOUR

CEO

Therese Turner

In a year of unprecedented challenges, MOVE Bank's strong commitment to our members and their financial wellbeing has ensured that we have continued to deliver across-the-board improvements and positive outcomes for our members, our staff, and our communities.

Our focus on member value remains the centrepiece of what we do. We continued to invest in providing members with an exceptional banking experience, delivering several exciting service and technology enhancements. And once again our product offerings have been consistently recognised with industry awards, including being named Australia's Best Small Mutual Bank 2020.

But perhaps most importantly, in early 2020 we quickly adapted to respond to the COVID-19 environment to proactively support our members in these challenging and uncertain times.

Commitment to great value

National recognition

This year we have maintained our position as one of the most awarded financial institutions in Australia, winning 21 awards over the past year across our entire product range, including Australia's Best Small Mutual Bank by Mozo and Personal Lender of the Year by *Money* magazine.

We are incredibly proud to be independently recognised by all of Australia's leading comparison sites and industry publications, demonstrating the consistent and outstanding value we offer members across our product range.

Investing in our member experience

As a customer-owned bank, ensuring we meet member expectations is extremely important to us. During the financial year, we implemented our 'Voice of Member' program, which enables MOVE Bank to gain real-time insights into member experiences after key interactions with our team. This feedback has provided vital data which is used to continuously evaluate our products and services and has played an important role in improving many aspects of the member journey.

> *"I have no hesitation in recommending MOVE Bank to family and friends as I've always found them to be very good."*
> ***– MOVE Bank Member***

Another way we assess our performance is through our Net Promoter Score (NPS), which provides a rating on how willing our members are to recommend us to their friends and family. This year we were rated by our members with a positive score of +50.50, which is an 8.25-point improvement on last year's result. This score confirms that members are very satisfied with MOVE Bank, especially compared to the major banks average score of +9.96. Our strong Net Promoter Score confirms that our members trust MOVE Bank not only to look after their financial needs but also the financial needs of the people they value most - their friends and family.

+50.50
NET PROMOTER SCORE
FOR SATISFACTION & LOYALTY

vs. major banks average score of +9.96

We remain focused on delivering improved digital solutions and services, so that members can enjoy an enhanced and up-to-date banking experience.

In early 2020 we successfully launched **Apple Pay** and **Google Pay**, which allows members to make fast and convenient purchases using their mobile devices. Then in April 2020 we introduced a new live chat channel on our website, which uses artificial intelligence to help members find information easily.

> *"We have great confidence in MOVE Bank. You make life just that bit easier."*
> ***– MOVE Bank Member***

MIA (short for Mutual Industry Assistant) is now available 24 hours a day to answer general enquiries and provide instant information about our products and interest rates.

Offering these services and options is a key part of our ongoing commitment to make banking with us even easier.

New-look home loan range

Our commitment to providing great value banking means we are always looking for ways to improve our products, and this financial year was no exception.

In September 2019, we launched the Straightforward Investment Loan, to complement our award-winning Straightforward Home Loan. This product filled a gap in our existing home loan range, by offering a basic variable option for property investors.

We also recognised an opportunity to simplify our home loan range to make it easier for members to find the right loan. The result is our new our Complete Package, which offers members our most competitive rates on fixed or variable rate home loans, combined with a value-packed package of other benefits.

1. **Complete Package Fixed Rate Home & Investment Loan**
2. **Complete Package Variable Rate Home & Investment Loan**
3. **Straightforward Investment Loan**

These product initiatives have streamlined our home and investment loan range and are already proving extremely popular with members. The combination of competitive pricing and great features have also helped us gain momentum with our broker networks, which play an important role in our national growth strategy.

Financial performance

Loan growth, sustainable profitability and cost-efficiency continue to be our key financial goals.

$100 MILLION
IN NEW LOANS FUNDED

Loan demand was strong across our portfolio with almost $100 million new loans funded, matching the prior year's result. Overall loan balances outstanding decreased slightly by 1.2% on the prior year with growth results impacted by the onset of COVID-19 in the last quarter of the financial year.

The quality of the loan portfolio strengthened, with the ratio of delinquent loans reducing from 0.85% to 0.41%. This pleasing result was driven through a combination of improved performance of problem loans, a continued reduction in new impairments and bad debt write offs. The overall provision for credit impairment reduced by 33% as a result, even with the inclusion of an additional provision of $153,680 to recognise potential impairment for loans under COVID-19 hardship. The value of loans being managed under COVID-19 deferral plans represented 1.35% of the loan portfolio at year end, well below the banking industry average of around 10%.

$1.56 MILLION
2019/2020 AFTER-TAX PROFIT

Our after-tax profit of $1.56 million for the year was well in advance of the budget forecast. A lower profit result was forecast for the financial year to recognise the lower net interest margin achievable in the current environment. The net interest margin tightened from 1.91% to 1.80%, driven by a competitive loan market and the Reserve Bank reducing the cash rate by 1% over the course of the year. The low interest rate environment will continue to place pressure on the profitability of banks, and will require us to continue to carefully balance the interests of both borrowers and depositors in the coming financial year.

As a customer-owned bank, our focus is to deliver sustainable profits so that we can provide great value to our members through products and services and continue to make an investment in future needs such as technology. Cost efficient operations are a key driver for sustainable profits, so we continuously strive to maintain tight control over operating expenses as well as improving operational efficiency. Operating expenses (excluding depreciation) rose by less than 1% over the year, well below inflation.

MOVE Bank continues to hold a strong capital and liquidity position, so we are well placed for future growth. And with our superior value, award-winning products, and enhanced digital capabilities we expect to help many more members achieve their financial goals in the years ahead.

16%
OF OUR LOAN PORTFOLIO
LOCATED OUTSIDE QUEENSLAND

We are making steady progress with our national growth strategy with 17% of our membership base now residing outside Queensland and 16% of our loan portfolio now located interstate.

Supporting our community

Our COVID-19 Response

The COVID-19 pandemic has impacted almost every aspect of life as we know it. At MOVE Bank, we took immediate measures to ensure we continued to deliver important banking services, while safeguarding the wellbeing of our employees, members and the community.

We responded quickly by launching a COVID-19 relief package to assist members financially impacted by the unexpected downturn in the economy and we assisted borrowers by allowing them to defer loan repayments for up to six months. This relief helped reduce COVID-related financial stress for affected members and we will continue to support members experiencing hardship as the pandemic continues to impact our community and economy.

To protect the health and wellbeing of our people, we transitioned early to remote working, with the majority of staff working from home from mid-March. Working as a team, we were able to accomplish this significant shift in our operations and adapt to new ways of working, while ensuring we continued to provide members with exceptional service across all channels. This was an extraordinary achievement, delivered by the very dedicated team at MOVE Bank.

"I used this offer to suspend mortgage repayments for a few weeks. The lady that helped with this process was compassionate and so helpful which really helped in a stressful situation"

- MOVE Bank Member

Bushfire crisis support

Earlier in the financial year, we activated a disaster relief package to support members affected by the devasting bushfires. We also supported communities impacted by the bushfires by donating funds from our annual Christmas Hamper promotion to both the Australian Mutuals Foundation's Bushfire Appeal and WWF Australia Koala Crisis Appeal. These appeals were chosen by our members and in the years ahead we will continue to engage with members about the causes that matter most.

Your Financial Wellness Program

At MOVE Bank, we have always believed that financial education is the key to helping our members and the wider community improve their financial wellbeing. This year we made an investment in technology to support this commitment with the launch of Your Financial Wellness, a secure online program that offers a range of tools and resources to help members understand their financial position and strengthen their overall financial wellbeing.

The program is available free of charge to members and is also offered to employees in the rail, transport and logistics industries, through our corporate partners. In the year ahead we will continue to work with our corporate partners in the transport and logistics industries to provide this service to employees as part of their wellbeing programs.

As a further commitment to promoting financial literacy in Australia, we have also accepted the opportunity to sponsor the University of New South Wales and the Centre for Social Impact's study into financial wellbeing in Australia. This study aims to validate the Your Financial Wellness Program's Financial Wellness Index as the benchmark index of financial wellness. We are proud to be supporting this important research and look forward to sharing insights from this report in the coming year.

Looking ahead

With the COVID-19 situation continuing to impact many aspects our lives, our number one priority is to support our members and staff as they adjust to meet these challenges. The past year has demonstrated that MOVE Bank's operating performance is solid, and we have strong organisational resilience that positions us well to provide this support now and in the future.

In the coming year we will remain focused on growing our membership base nationally, through great value, easy-to-use financial products and services and continuously improving our member experience. As part of this commitment we have some exciting plans in the pipeline which will streamline the home loan journey for members, as well as further investments in our digital banking platforms.

A note of thanks

I sincerely thank the Board, management, and staff of MOVE Bank for their ongoing efforts and member-first commitment, especially across this challenging year. The COVID-19 environment certainly challenged our team's resilience, and I am extremely proud of the exemplary way they worked together to take care of our members and each other.

And finally, and most importantly, I would like to thank all members for your ongoing support of MOVE Bank. You are at the centre of everything we do, and we look forward to delivering great value banking for many years to come.

Therese Turner
CHIEF EXECUTIVE OFFICER

Awards

1.80% NET INTEREST MARGIN

21.17% CAPITAL ADEQUACY

NEW PRODUCTS

1. Complete Package Fixed Rate Home & Investment Loan
2. Complete Package Variable Rate Home & Investment Loan
3. Straightforward Investment Loan

Our Executive Team

The MOVE Bank Executive Team

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

FINANCIAL REPORT 2020

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 2020.

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:

Bronwyn (Bron) D Davies (Chair)	Appointed Chair 27 November 2019
Thomas (Bill) W Armagnacq	Appointed 23 October 2019
Kellie L Dyer	
Andrew R Haynes (Chair)	Retired 16 March 2020
Andrew J Hughes	
Scott J Riedel	
Michael (Mick) F Skinner	
Timothy (Tim) J Staley	Appointed 20 May 2020

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

Bronwyn (Bron) D Davies
B.Ec, Grad Cert Technology (BS), CPA, CIA, GAICD
Chief Auditor, Airservices Australia
Bron has been a Director of MOVE since 2012 and appointed Chair in November 2019. Bron is a member of the Risk Management Committee, Audit & Compliance Committee and the Remuneration & Succession Committee.

Thomas (Bill) W Armagnacq
B Com, FCA, FAICD
Company Director
Bill was appointed as an External Director in October 2019. Bill is the Chair of the Remuneration & Succession Committee and a member of the Risk Management 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 Risk Management Committee and a member of the Audit & Compliance Committee.

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, served as Chair from 2016 to November 2019 and retired in March 2020. Andrew was a member of the Audit & Compliance Committee.

Andrew J Hughes
BCom, FCPA, MCom (Accounting), Assoc Dip in Civil Engineering, GAICD
Finance Manager Business Partner, Queensland Rail
Andrew has been a Director of MOVE Bank since 2009. Andrew is a member of the Risk Management Committee.

Directors' Report

Qualifications, experience and special responsibilities (continued)

Scott J Riedel
BEng (Hons), RPEQ, Grad Dip Business, GAICD
Head of SEQ, Queensland Rail
Scott has been a Director of MOVE Bank since 2016 and is a member of the Audit & Compliance Committee and the Remuneration & 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 & Compliance Committee.

Timothy (Tim) J Staley
BCom, FCPA, MAICD
Head of Technology, Aurizon
Tim was appointed as a Director to fill a casual vacancy in May 2020. Tim is a member of the Audit & Compliance Committee.

All Directors have held their office from 1 July 2019 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	11	4	4	3
Number of meetings attended	Attended/Eligible to attend			
Bronwyn (Bron) D Davies	11/11	4/4	3/3	2/2
Thomas (Bill) W Armagnacq	8/8	3/3	3/3	2/2
Kellie L Dyer	10/11	2/2	0/2	3/3
Andrew R Haynes	6/7	2/2	3/3	1/1
Andrew J Hughes	10/11	4/4	-	-
Scott J Riedel	11/11	-	4/4	3/3
Michael (Mick) F Skinner	10/11	-	4/4	-
Timothy (Tim) J Staley	2/2	-	1/1	-

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

Operating Results for the Year

The net profit of MOVE Bank for the year ended 30 June 2020 after providing for income tax was $1,481,965 (2019: $1,725,020).

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.

During the year MOVE Bank won numerous awards including Australia's Best Small Mutual Bank for 2020 in the Mozo Experts Choice Australia's Best Bank Awards and Money Magazine's 2020 Personal Lender of the Year. The Best Small Mutual Bank award recognised MOVE Bank as the best of the best among Australia's banks when it comes to customer value.

This year's operating environment saw the onset of a global pandemic that has adversely impacted already weak domestic economic conditions. Historically low interest rates went even lower and the housing market remains understandably soft. Competition amongst the banking sector remains intense. The low interest rate environment will place pressure on the profitability of banks and MOVE Bank is not immune from these challenges.

MOVE Bank's after tax profit was down 14.1% from the prior year result, however a lower profit result was forecast for the financial year, with the actual result delivered 39.1% in advance of the budget forecast. MOVE Bank's gross loans reduced by 1.2% from the prior year, with growth results impacted by onset of COVID-19 in the last quarter of the financial year. The net interest margin tightened from 1.91% to 1.80%, largely a consequence of a competitive loan market and the RBA's cash rate reducing 1% throughout the year. The combination of a reduced gross loan portfolio and a lower net interest margin caused net interest income to fall by 3.6%. Other income was also impacted by MOVE Bank's decision to no longer offer consumer credit insurance and fee income was reduced as a consequence of MOVE Bank's COVID-relief package.

MOVE Bank strives to maintain tight control over its operating expenses. MOVE Bank's operating expenses (excluding depreciation and amortisation expenses) rose less than 1.00% during the financial year, well below inflation.

Credit impairment losses on loans and advances only required minimal addition to provisions of $28,912 for the year, as a result of a write-back of the impairment provision for bad debt write offs $496,548 (2019: $472,592) and continued reduction in new impairments, with an additional provision of $153,680 made for loans under COVID-19 repayment holidays at year end. Impairment loans represent 0.18% of gross loans and advances, evidencing the very high quality of MOVE Bank's loan portfolio.

As a member-owned bank, retained past year profits are MOVE Bank's main source of capital. It is essential that MOVE Bank generates sufficient profit to support growth, strategic investment and to maintain a prudent buffer of capital for unexpected adverse events such as the COVID-19 pandemic. During the year MOVE Bank's capital adequacy ratio rose from 20.66% to 21.17%. This is well above the minimum APRA prudential requirement.

COVID-19 Pandemic

MOVE Bank continues to monitor the unprecedented COVID-19 pandemic and its impact on the domestic economy. It is not known the extent to which the measures currently being undertaken in Australia will be sufficient to continuously control the spread of the virus. The extent to which the virus can be contained is integral to limiting the impact on the economy. Should the impact of the virus be severe or prolonged, it is expected to have a significant adverse impact on the domestic economy, which may in turn have a significant adverse impact on MOVE Bank's financial performance.

MOVE Bank's priorities throughout the crisis continue to focus on the protection of our staff and support of our members and customers, while maintaining the safety and security of MOVE Bank. On 24 March 2020, MOVE Bank announced a range of support options for members and customers impacted by COVID-19, which included:

- A deferment of home loan repayments for up to six months, including a 3 month check-point
- A deferment of all other loan repayments for 3 months
- Priority processing of personal loans for those in need of emergency funds (with establishment fees waived)
- The cessation of staff assisted transfer and loan redraw fees, card and cheque book replacement fees, and dishonour and exception fees

As discussed in the review of operations, MOVE Bank is well capitalised. A significant level of capital provides MOVE Bank with sufficient capacity to continue supporting our members and customers through the challenging times ahead.

MOVE Bank has continued to maintain strong liquidity throughout the period since the onset of COVID-19 in Australia in March 2020. MOVE Bank's liquidity ratio was 20.97% as at 30 June 2020.

On 19 March 2020, the RBA announced it was establishing a Term Funding Facility (TFF) for ADIs in response to the COVID-19 pandemic. On 29 June 2020 MOVE Bank borrowed $14.7m from this facility. MOVE Bank has access to this funding for the next 3 years.

Directors' Report

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

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other 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.

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.

Directors' Report

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:

Bron Davies	*Mick Skinner*
Bronwyn (Bron) D Davies Chair	Michael (Mick) F Skinner Chair, Audit & Compliance Committee

Brisbane, 30 September 2020

Auditor's Independence Declaration

BDO

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

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

DECLARATION OF INDEPENDENCE BY T J KENDALL 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 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Tim Kendall

T J Kendall
Director

BDO Audit Pty Ltd

Brisbane, 30 September 2020

Statement of Profit or Loss & Other Comprehensive Income for the year ended 30 June 2020

	Note	2020 $	2019 $
Interest income	5(a)	20,399,788	23,759,939
Interest expense	6(a)	(8,604,171)	(11,527,785)
Net interest income		11,795,617	12,232,154
Other revenue and income	5(b)	1,576,118	1,723,759
Employee benefits expense	6(b)	(5,449,988)	(5,598,929)
Depreciation and amortisation expense	6(c)	(1,119,740)	(906,714)
Credit impairment losses	6(d),13(b)	(28,912)	(577,961)
Other expenses	6(e)	(4,761,745)	(4,524,293)
Profit before income tax		2,011,350	2,348,016
Income tax expense	7	(529,385)	(622,996)
Profit for the year		1,481,965	1,725,020
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss			
Net gain on revaluation of land and buildings	14(a)	107,314	-
Income tax relating to these items	7(d)	(29,511)	-
Other comprehensive income for the year, net of income tax		77,803	-
Total comprehensive income for the year		1,559,768	1,725,020

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 2020

	Note	2020 $	2019 $
ASSETS			
Cash and cash equivalents	8	28,498,733	23,070,400
Other receivables	10	343,815	861,153
Income tax receivable		105,463	-
Financial assets at amortised cost	11	136,484,605	144,062,869
Loans and advances	12	490,442,323	495,979,754
Investment securities	9	1,844,384	1,844,384
Property, plant and equipment	14	5,054,588	4,546,363
Intangible assets	15	711,215	659,014
Other assets		262,599	179,178
TOTAL ASSETS		663,747,725	671,203,115
LIABILITIES			
Deposits	16	579,383,756	603,903,702
Other payables	17	1,057,322	890,808
Income tax payable		-	240,049
Borrowings	18	14,699,451	-
Lease liabilities	19	856,998	-
Deferred tax liabilities	7	216,599	95,959
Provisions	20	465,639	564,405
TOTAL LIABILITIES		596,679,765	605,694,923
NET ASSETS		67,067,960	65,508,192
EQUITY			
Redeemed preference shares	21	221,860	213,900
Reserves	22	66,846,100	65,294,292
TOTAL EQUITY		67,067,960	65,508,192

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 2020

`	Asset revaluation reserve $	Credit loss reserve $	Fair value reserve $	General reserve $	Redeemed preference shares $	Total equity $
Balance at 1 July 2019	3,308,514	1,515,724	518,867	59,951,187	213,900	65,508,192
Profit for the year	-	-	-	1,481,965	-	1,481,965
Other comprehensive income for the year						
Net gain on revaluation of land & buildings, net of tax	77,803	-	-	-	-	77,803
Total comprehensive income for the year	77,803	-	-	1,481,965	-	1,559,768
Transfers						
Redeemed preference shares	-	-	-	(7,960)	7,960	-
Credit loss reserve	-	(3,386)	-	3,386	-	-
Total transfers	-	(3,386)	-	(4,574)	7,960	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
30 June 2020	3,386,317	1,512,338	518,867	61,428,578	221,860	67,067,960
Balance at 1 July 2018	3,308,514	1,426,678	-	58,329,973	199,140	63,264,305
Impact of adopting AASB 9 at 1 July 2018, net of tax	-	-	518,867	-	-	518,867
Restated balance at 1 July 2018	3,308,514	1,426,678	518,867	58,329,973	199,140	63,783,172
Profit for the year	-	-	-	1,725,020	-	1,725,020
Other comprehensive income for the year						
Net gain on revaluation of land & buildings, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,725,020	-	1,725,020
Transfers						
Redeemed preference shares	-	-	-	(14,760)	14,760	-
Credit loss reserve	-	89,046	-	(89,046)	-	-
Total transfers	-	89,046	-	(103,806)	14,760	-
Transactions with owners in their capacity as owners	-	-	-	-	-	-
30 June 2019	3,308,514	1,515,724	518,867	59,951,187	213,900	65,508,192

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 2020

	Note	2020 $	2019 $
Operating activities			
Interest received		20,839,254	23,535,340
Payments to suppliers and employees		(10,581,808)	(10,683,593)
Dividends received		100,014	9,180
Fees and commissions received		1,419,778	1,668,687
Other income		199,383	170,049
Interest and other costs of finance paid		(9,019,235)	(11,647,981)
Income tax paid		(783,768)	(556,176)
Net movement in financial assets amortised cost		7,578,264	(51,274,504)
Net movement in loans and advances		5,619,417	(2,642,229)
Net movement in deposits		(24,014,910)	54,775,896
Net movement in borrowings		14,699,451	-
Net cash inflows from operating activities	23(b)	6,055,840	3,354,669
Investing activities			
Purchase of property, plant and equipment		(51,989)	(206,713)
Purchase of intangible assets		(401,313)	(468,641)
Net cash flows used in investing activities		(453,302)	(675,354)
Financing activities			
Principal portion of lease liabilities paid		(174,205)	-
Net cash flows used in financing activities		(174,205)	-
Net increase/(decrease) in cash and cash equivalents		5,428,333	2,679,315
Cash and cash equivalents at 1 July		23,070,400	20,391,085
Cash and cash equivalents at 30 June	8	28,498,733	23,070,400

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 2020

1. CORPORATE INFORMATION

The financial statements cover Railways Credit Union Limited trading as MOVE Bank for the financial year ended 30 June 2020 and were authorised for issue in accordance with a resolution of the Directors on 30 September 2020.

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 and financial assets at Fair Value through Other Comprehensive Income (FVOCI).

This is the first set of MOVE Bank's annual financial statements in which AASB 16 *Leases* has been applied. Changes to significant accounting policies are described in Note 2(m).

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 2020.

(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.

(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 other comprehensive income (OCI). This election is made on an investment-by-investment basis.

(c) Financial assets and financial liabilities (continued)

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 – eg. 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 (eg. 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;
- terms that limit MOVE Bank's claim to cash flows from specified assets (eg. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – eg. 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 (2019: Nil).

Financial liabilities

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

(c) Financial assets and financial liabilities (continued)

(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.

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.

(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(d) for details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(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 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

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 (ie. 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.

(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) 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.

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.

(e) 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.

(f) Right-of-use assets

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

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

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

(g) 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.

(h) 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.

(i) 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.

(j) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, MOVE Bank's incremental borrowing rate.

Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

(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

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.

(l) Revenue (continued)

Interest revenue

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.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

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 (ie. 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 accrual 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. 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.

(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 of 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

A number of new or amended accounting standards became applicable for the current reporting period and MOVE Bank had to change its accounting policies as a result of adopting the standards. The most relevant to MOVE Bank were:

- AASB 16 *Leases*
- Interpretation *23 Uncertainty over Income tax Treatment*

AASB 16 Leases

This standard and its consequential amendments were applied from 1 July 2019, replacing the accounting requirements applicable to leases in AASB 117 Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This mean that for most leases, a right-of-use asset and a lease liability will be recognised, with the right-of-use asset being depreciated and the lease liability being unwound in principal and interest components over the life of the lease.

Prior to 1 July 2019, MOVE Bank recognised lease payments for operating leases, where substantially all the risks and benefits incidental to the ownership of the asset remain with the lessor, as expenses (net of incentives received from the lessor) on a straight-line basis over the lease term.

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

MOVE Bank transitioned to AASB 16 using the modified retrospective approach, where the right-of-use asset is recognised at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments relating to the lease recognised in the Statement of Financial Position immediately before the date of initial application, using MOVE Bank's incremental borrowing rate at the date of initial application. Comparative figures have not been restated.

MOVE Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, MOVE Bank applied the standard only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application.

MOVE Bank also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

MOVE Bank further applied the other practical expedients as permitted by the standard as follows:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The use of hindsight in determining the lease term where the contract contains options to extend of terminate the lease;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

At 1 July 2019, MOVE Bank recorded a lease liability amounting to $1,102,550 and right-of-use asset amounting to $1,119,550 using a weighted incremental borrowing rate of 1.58%. There was no impact on retained earnings upon adoption of AASB 16.

Reconciliation of operating lease commitments disclosed as at 30 June 2019 to initial measurement of lease liability at 1 July 2019

Reconciliation	$
Operating lease commitments disclosed as at 30 June 2019	339,780
Add: Exercise of extension option	951,431
Less: Short-term leases	(13,384)
Less: Impact of discounting using MOVE Bank's incremental borrowing rate at 1 July 2019	(175,277)
Lease liability as at 1 July 2019	**1,102,550**

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 Income Taxes. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

Upon adoption of the Interpretation, MOVE Bank considered whether it has any uncertain tax positions. MOVE Bank determined, based on its tax compliance, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The following new and amended accounting standards and interpretations have been issued but are not mandatory for financial year ended 30 June 2020. They have not been adopted in preparing the financial statements for the year ended 30 June 2020 and MOVE Bank intends to apply these standards from application date as indicated in the table below.

New and amended accounting standards and interpretations issued	Application date
Amendments to AASB 3 - Definition of a Business Clarifies the definition of a 'business' in AASB 3 Business Combinations to assist in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.	1 January 2020
Amendments to AASB 101 and AASB 108 - Definition of Material AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors include a definition of 'materiality' which must be applied when judging whether information should be included, or amounts adjusted, in the financial statements. Consequential amendments have also been made to ensure that the definition of 'material' is consistent across all IFRS Standards, as well as the Revised Conceptual Framework (2018) and IFRS Practice Statement 2 Making Materiality Judgements.	1 January 2020
Amendments to AASB 7, AASB 9 and AASB 139 - Interest Rate Benchmark Reform These amendments were issued by the Australian Accounting Standards Board in October 2019 and modify some of the hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform. The amendments also require disclosure of additional information about hedging relationships that are directly affected by the uncertainties caused by interest rate benchmark reform.	1 January 2020
Amendments to AASB 1054 - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia Added a new paragraph 17 to AASB 1054 Australian Additional Disclosures which clarifies that, in complying with paragraph 30 of AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, entities intending to assert compliance with IFRS must also disclose the potential effect of IFRS standards that are yet to be issued by the AASB.	1 January 2020
AASB 2020-4 (Issued June 2020) - Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions Introduces a practical expedient that permits lessees not to assess whether a rent concession that occurs as a direct consequence of the COVID-19 pandemic is a lease modification, provided all of the following criteria are met: ▪ Change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately prior to the change ▪ Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a concession would meet this condition if it resulted in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021), and ▪ There is no substantive change to other terms and conditions of the lease. In such cases, the concessions are accounted for as if they were not a lease modification.	Annual reporting periods beginning on or after 1 June 2020

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 & 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 & 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:

2020	Maximum credit exposure	
Industry	$	% Total Loans
Queensland Rail	125,034,906	25.45%
Aurizon	61,198,294	12.46%

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

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

MOVE Bank has undertaken additional credit risk management measures in response to COVID-19. In particular, MOVE Bank has developed a plan to manage those loans on COVID-19 repayment holidays. Borrowers already in arrears were not provided COVID-19 repayment holidays by MOVE Bank. Rather they are being assessed under MOVE Bank's standard hardship assessment approach.

The COVID-19 repayment holiday plan has been provided to MOVE Bank's regulators. The plan outlines MOVE Bank's approach to contacting affected borrowers and assessing whether repayment relief should be provided or extended. It also outlines MOVE Bank's options for re-establishing required repayments once the borrower no longer requires relief. It is MOVE Bank's preference for loans to still be repaid within the original contracted term and unless the loan is in advance, an increase to the previously required repayment amount may be necessary.

3. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(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%	100%
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.

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 18%.

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	2020 $	2019 $
AAA to A-	75,418,972	85,752,972
BBB+ to BBB-	75,796,156	66,563,580
Unrated	13,768,210	14,816,718
Total	**164,983,338**	**167,133,270**

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.

3. FINANCIAL RISK MANAGEMENT (continued)

(i) Loans and advances (continued)

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.

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 $536,582,413 (2019: $544,095,992).

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 24(a). 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 eg. 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 18 describes the borrowing facilities as at reporting date.

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

	2020	2019
Ratio to total adjusted liabilities:		
As at 30 June	20.97%	23.66%
Average for the year	22.64%	19.99%
Minimum during the year	20.27%	16.69%
Ratio to total deposits:		
As at 30 June	21.92%	24.07%

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 2020	Carrying value $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	Gross nominal outflows $
FINANCIAL LIABILITIES							
Deposits	579,383,756	498,578,687	16,992,771	58,705,276	5,721,259	-	579,997,993
Other payables	1,057,326	642,959	116,865	297,502	-	-	1,057,326
Borrowings	14,699,451	-	-	-	14,809,697	-	14,809,697
Lease liabilities	856,998	-	14,023	128,646	658,097	95,380	896,147
Total financial liabilities	595,997,531	499,221,646	17,123,659	59,131,424	21,189,053	95,380	596,761,163
Off balance sheet items undrawn (Note 24(a))	-	45,257,898	-	-	-	-	-

Year ended 30 June 2019	Carrying value $	Within 1 month $	1-3 months $	3-12 months $	1-5 years $	Over 5 years $	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
Borrowings	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-
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 24(a))	-	46,680,534	-	-	-	-	-

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 2020, the profit before tax and equity impact for a 1% (2019: 1%) movement in interest rates would be as follows:

2020

Movement in interest rates	Impact on Profit before tax	Impact on Equity
1% increase	(598,400)	(433,840)
1% decrease	598,400	433,840

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

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.

2020	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total	Effective interest rate
		Within 1 year	1-5 years	Over 5 years			
	$	$	$	$	$	$	%
ASSETS							
Cash and cash equivalents	25,000,220	3,498,513	-	-	-	28,498,733	0.68%
Investment securities	-	-	-	-	1,844,384	1,844,384	N/A
Other receivables	-	-	-	-	343,815	343,815	N/A
Financial assets at amortised cost	-	136,484,605	-	-	-	136,484,605	0.79%
Loans and advances	395,565,896	41,312,543	45,296,465	8,267,419	-	490,442,323	3.42%
Total assets	420,566,116	181,295,661	45,296,465	8,267,419	2,188,199	657,613,860	
LIABILITIES							
Deposits	486,348,055	87,300,982	5,734,719	-	-	579,383,756	0.99%
Other payables	-	-	-	-	1,057,326	1,057,326	N/A
Borrowings	-	-	14,699,451	-	-	14,699,451	0.25%
Lease liabilities	-	41,883	-	815,115	-	856,998	1.58%
Total liabilities	486,348,055	87,342,865	20,434,170	815,115	1,057,326	595,997,531	

2019	Floating interest rate	Fixed interest rate maturing			Non-interest sensitive	Total	Effective interest rate
		Within 1 year	1-5 years	Over 5 years			
	$	$	$	$	$	$	%
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
Borrowings	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-
Total liabilities	500,516,392	95,062,936	8,324,374	-	890,808	604,794,510	

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. 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	2020 $	2019 $
General reserve	59,946,613	58,226,167
Retained earnings	1,481,965	1,725,020
Asset revaluation reserve	3,386,317	3,308,514
Asset fair value reserve	518,867	518,867
Capitalised loan origination and settlement costs	(256,229)	(150,602)
Prescribed deductions	(2,555,599)	(2,503,398)
Net tier 1 capital	**62,521,934**	**61,124,568**

Tier 2 Capital	2020 $	2019 $
Reserve for credit losses	1,512,338	1,515,724
Net Tier 2 capital	**1,512,338**	**1,515,724**
Total Capital	**64,034,272**	**62,640,292**
Less deductions from total capital	-	-
Total Capital	**64,034,272**	**62,640,292**

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
2020	21.17%
2019	20.66%
2018	21.46%
2017	20.79%
2016	20.57%

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 with its capital ratio requirements at all times.

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 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;
- establishing groups of similar financial assets for the purposes of measuring ECL; and
- 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) for policies regarding impairment of financial assets.

5. INCOME

	2020 $	2019 $
(a) Interest income on assets carried at amortised cost		
Cash and cash equivalents	220,988	427,693
Financial assets amortised cost	1,897,265	2,608,487
Loans and advances	18,281,535	20,723,759
Total interest income	20,399,788	23,759,939
(b) Non-interest income		
Fees and commissions	1,378,200	1,668,726
Dividends received - other corporations	100,014	43,587
Bad debts recovered	25,428	11,274
Other	72,476	172
Total non-interest income	1,576,118	1,723,759
TOTAL INCOME	21,975,906	25,483,698

6. EXPENSES

	2020 $	2019 $
(a) Interest expense on liabilities carried at amortised cost		
Borrowings	5,588	6,973
Lease liabilities	15,720	-
Deposits	8,582,863	11,520,812
Total interest expense	8,604,171	11,527,785
(b) Employee benefits expense		
Wages, salaries and other employee benefits expense	5,059,674	5,108,242
Workers' compensation costs	13,740	10,406
Defined contribution superannuation expense	376,574	480,281
Total employee benefits expense	5,449,988	5,598,929
(c) Depreciation and amortisation expense		
Depreciation of property, plant and equipment		
Buildings	103,992	103,326
Plant and equipment	430,326	509,135
Total depreciation of property, plant and equipment	534,318	612,461
Amortisation of intangible assets		
Computer software	349,112	294,253
Total amortisation of intangible assets	349,112	294,253
Depreciation of right-of-use assets		
Properties	236,310	-
Total depreciation of right-of-use assets	236,310	-
Total depreciation and amortisation expense	1,119,740	906,714
(d) Impairment		
Credit impairment losses of loans and advances	28,912	577,961

6. EXPENSES (Continued)

	2020 $	2019 $
(e) Other expenses		
Audit and other accounting expenses	210,462	164,560
Director fees and other expenses	351,255	388,498
Information technology expenses	1,373,790	1,140,959
Marketing and promotion expenses	481,911	493,104
Member transaction expenses	1,006,880	912,329
Other occupancy expenses	220,472	205,636
Other expenses	820,799	930,311
Telephone and postage expenses	296,176	288,896
Total other expenses	4,761,745	4,524,293

(f) Other expenses relating to leased liabilities

	2020 $	2019 $
Short-term lease expenses included in other expenses 6(e)	29,554	-

7. INCOME TAX

(a) Components of income tax expense

The major components of income tax expense are:

	2020 $	2019 $
Deferred tax adjustments resulting from reduction in tax rate		
Current income tax charge	438,256	677,553
Deferred tax adjustments resulting from reduction in tax rate	-	6,332
Over provision of income tax in prior year	-	(23,397)
Deferred tax relating to temporary differences	91,129	(37,492)
Income tax expense	529,385	622,996

(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:

	2020 $	2019 $
Accounting profit before tax	2,011,350	2,348,016
At company statutory income tax rate of 27.5% (2019: 27.5%)	553,121	645,705
Adjustments in respect of current income tax of previous years		
Non-deductible entertainment	6,165	7,899
Rebatable fully franked dividends	(42,863)	(18,680)
Opening deferred tax adjustments from reduction in tax rate	-	6,332
Other non-deductible items	12,962	5,137
Over provision of income tax in prior year	-	(23,397)
Aggregative income tax expense	529,385	622,996

7. INCOME TAX (continued)

(c) Recognised deferred tax assets and liabilities

Deferred income tax as at 30 June relates to the following:

	2020 $	2019 $
(i) Deferred tax liabilities		
Land & buildings - recognised in other comprehensive income	286,494	256,983
Land & buildings - recognised in profit or loss	312,069	370,769
Other receivables	40,634	34,474
Shares – recognised in other comprehensive income	196,812	196,812
Lease assets and liabilities	7,217	-
Gross deferred tax liabilities	843,226	859,038
(ii) Deferred tax assets		
Provisions	444,385	579,492
Depreciation	111,133	112,152
Other	71,109	71,435
Gross deferred tax assets	626,627	763,079
Net deferred tax asset/(liabilities)	(216,599)	(95,959)

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

Deferred income tax as at 30 June relates to the following:

	2020 $	2019 $
(i) Deferred tax liabilities		
Land & buildings – recognised in other comprehensive income		
Opening balance	256,983	280,345
Change in tax rate applicable 1 July 2018	-	(23,362)
Change recognised in other comprehensive income	29,511	-
Closing balance	286,494	256,983
Land & buildings – recognised in profit or loss		
Opening balance	370,769	464,568
Prior year adjustment	-	306
Change in tax rate applicable 1 July 2018	-	(39,020)
Change recognised in profit or loss	(58,700)	(55,085)
Closing balance	312,069	370,769
Other receivables		
Opening balance	34,474	-
Change recognised in profit or loss	6,160	34,474
Closing balance	40,634	34,474

7. INCOME TAX (continued)

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

(i) Deferred tax liabilities (continued)

	2020 $	2019 $
Shares – recognised in other comprehensive income		
Opening balance	196,812	-
Opening balance adjustment	-	196,812
Closing balance	196,812	196,812
Lease assets and liabilities		
Opening balance	-	-
Change recognised in profit or loss	7,217	-
	7,217	-
Gross deferred tax liabilities	843,226	859,038

(ii) Deferred tax assets

	2020 $	2019 $
Provisions		
Opening balance	579,492	603,959
Prior year adjustment	-	(9,965)
Change in tax rate applicable 1 July 2018	-	(50,330)
Change recognised in profit or loss	(135,107)	35,828
Closing balance	444,385	579,492
Depreciation		
Opening balance	112,152	118,454
Prior year adjustment	-	319
Change in tax rate applicable 1 July 2018	-	(9,872)
Change recognised in profit or loss	(1,019)	3,251
Closing balance	111,133	112,152
Other		
Opening balance	71,435	102,144
Change in tax rate applicable 1 July 2019	-	(8,512)
Change recognised in profit or loss	(326)	(22,197)
Closing balance	71,109	71,435
Gross deferred tax assets	626,627	763,079
Net deferred tax asset/(liabilities)	(216,599)	(95,959)

(e) Franking credit balance

	2020 $	2019 $
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% (2019: 27.5%)	25,716,464	24,889,831

8. CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Deposits with ADI	28,498,733	23,070,400

(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	28,498,733	23,070,400

9. INVESTMENT SECURITIES

	2020 $	2019 $
At fair value through other comprehensive income (FVOCI) Investment securities	1,844,384	1,844,384
Amount of investment securities expected to be recovered more than 12 months after the reporting date	1,844,384	1,844,384

(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.

10. OTHER RECEIVABLES

	2020 $	2019 $
Accrued interest	170,584	610,050
Sundry debtors	173,231	251,103
Total other receivables	343,815	861,153
Amount of other receivables expected to be recovered more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 31(c) for details of the fair value of these financial instruments.

11. FINANCIAL ASSETS AT AMORTISED COST

	2020 $	2019 $
ADI interest bearing deposits	136,484,605	144,062,869
Amount of financial assets amortised cost expected to be recovered more than 12 months after the reporting date	35,800,000	18,300,000

(a) Fair value

Refer to Note 31(c) for details of the fair value of these financial instruments.

(b) Impairment of 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)).

12. LOANS AND ADVANCES

	2020 $	2019 $
Overdrafts	48,575,907	59,560,122
Term loans	442,748,608	437,855,336
Gross loans and advances	491,324,515	497,415,458
Deferred application fees	(249,174)	(254,445)
Deferred loan referral, document and settlement costs	256,229	150,602
Provisions for credit impairment losses (Note 13)	(889,247)	(1,331,861)
Net loans and advances	490,442,323	495,979,754
Amount of loans and advances expected to be recovered more than 12 months after the reporting date	465,414,126	473,189,094

(a) Collateral held

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

Loans and advances with no collateral	10,513,196	15,476,708
Loans and advances with collateral	480,811,319	481,938,750
Gross loans and advances	491,324,515	497,415,458

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 31(c) for details of the fair value of these financial instruments.

13. IMPAIRMENT OF LOANS AND ADVANCES

Calculation of expected credit losses

Refer to Note 2(c)(vii) for explanation of how MOVE Bank calculates expected credit losses.

Assessment approach of COVID-19 Impact on ECL

MOVE Bank considered the following matters in determining the impact of COVID-19 on its expected credit losses:

- Macroeconomic outlook and borrower quality – nearly 38% of MOVE Bank’s borrowers work for Queensland Rail and Aurizon. These companies have been deemed to providing essential services in the current pandemic. The maintenance of stable employment significantly lowers the risk of loans defaulting. MOVE Bank undertook a review of the professions of the remainder of its loan book and identified no significant exposures to high risk occupations.
- Type of collateral held – mortgage loans make up 94% and car loans 4% of MOVE Bank’s loan book. MOVE Bank assessed the loans which are most likely to be subject to losses should the borrower incur repayment stress were mortgage loans with a loan to value ratio over 75% and not covered by lender’s mortgage insurance. MOVE Bank assessed this portfolio and determined that an additional impairment provision of $74,634 was warranted.
- Repayment holidays at the reporting date – MOVE Bank reviewed those loans with repayment holidays with a view to assessing if there was change to the credit risk profile of such borrowers.
- In particular the matters reviewed included:
  - if the borrower was making full or partially repayments while being provided relief
  - if the borrower had significant advances built up at the time of being provided a repayment holiday
  - if the loan was mortgage insured
  - the loan to value ratio of the loan
  - the location of any security
  - whether the borrower was seeking an extension for a further period of repayment relief
- MOVE Bank made an additional impairment provision of $153,680 for loans under COVID-19 repayment holidays at year end. The requirement for an additional impairment provision was warranted where:
  - a repayment holiday extension was required, and the loan was not secured, or the security was located in an area of stagnant or falling house prices and there was a high loan to value ratio, or
  - the borrower had not required a repayment holiday extension but was subsequently failing to make the necessary repayments, or
  - the original repayment holiday period had not expired. In these cases, because MOVE Bank had not as yet contacted the relevant borrower it was considered prudent for an additional provision to undertaken.

(a) Provision for impairment calculation

	2020 $	2019 $
Collective Provision – Lifetime ECL – credit-impaired	360,951	692,538
Collective Provision – Lifetime ECL – not credit-impaired	374,923	516,945
Collective Provision – 12-months ECL	153,373	122,378
Total provision for impairment	889,247	1,331,861

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 ECL by stage for loans and advances. An explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 2(c)(vii).

Loans and advances to members at amortised cost*

2020	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at 1 July 2019	122,378	516,945	692,538	1,331,861
Transfer to 12-month ECL	398,841	(250,432)	(148,409)	-
Transfer to lifetime ECL not credit-impaired	(192,631)	196,331	(3,700)	-
Transfer to lifetime ECL credit-impaired	(177,792)	(130,653)	308,445	-
Bad debts written off	-	-	(469,548)	(469,548)
Net remeasurement of loss allowance	4,555	42,732	(18,375)	28,912
Other movements	(1,978)	-	-	(1,978)
Balance at 30 June 2020	153,373	374,923	360,951	889,247

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.

13. IMPAIRMENT OF LOANS AND ADVANCES (continued)

(b) Allowance for impairment (continued)

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:

- The stage 1 loss allowance mainly increased because the value of stage 1 loans that could incur a unexpected loss within one year rose by 19%. The increase in such stage 1 loans was mainly a consequence of loans being re-categorised from stage 2 and stage 3 provisioning.
- The required repayment of a minimum payment to service their unsecured overdraft on a monthly basis has resulted in the majority of these accounts being categorised as stage 1 loans. This has caused the majority of the reduction in stage 2 provisions of $250,432 noted in the allowance for impairment table. Of the stage 2 provision increase of $196,331 noted in the allowance for impairment table, $153,680 related to loans currently receiving COVID-19 repayment holiday relief. The gross carrying amount of loans currently receiving COVID-19 repayment holiday relief and categorised as stage 2 loans at 30 June 2020 was $6,657,047.
- The write-off of loans with a total gross carrying amount of $469,548 resulted in the majority of the reduction of the Stage 3 loss allowance. The majority of these losses had been recognised in opening balance of the stage 3 allowance for the current financial year.

The contractual amount outstanding on loans that were written off during the year ended 30 June 2020 and that are still subject to enforcement activity is $nil (2019: $nil).

14. PROPERTY, PLANT AND EQUIPMENT	2020 $	2019 $
Land and buildings		
At valuation	3,800,000	4,000,000
Accumulated depreciation	-	(203,322)
Net carrying amount	3,800,000	3,796,678
Plant and equipment		
At cost	3,555,983	3,503,994
Accumulated depreciation	(3,184,635)	(2,754,309)
Net carrying amount	371,348	749,685
Right-of-use property		
At cost	1,119,550	-
Accumulated depreciation	(236,310)	-
Net carrying amount	883,240	-
Total property, plant and equipment		
At valuation	3,800,000	4,000,000
At cost	4,675,533	3,503,994
	8,475,533	7,503,994
Accumulated depreciation and impairment	(3,420,945)	(2,957,631)
Net carrying amount	5,054,588	4,546,363

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

	2020 $	2019 $
Land and buildings		
Net carrying amount at beginning of the year	3,796,678	3,900,004
Revaluation	107,314	-
Depreciation charge	(103,992)	(103,326)
Balance at the end of the year	3,800,000	3,796,678
Plant and equipment		
Net carrying amount at beginning of the year	749,685	1,052,107
Additions	51,989	206,713
Depreciation charge for the year	(430,326)	(509,135)
Balance at the end of the year	371,348	749,685
Right-of-use property		
Net carrying amount at the beginning of the year	-	-
Initial application of AASB 16 as 1 July 2019	1,119,550	-
Depreciation charge for the year	(236,310)	-
Balance at the end of the year	883,240	-

(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 May 2020.

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 $3,800,00 at 30 June 2020 based upon this independent valuation.

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

	2020 $	2019 $
Cost	1,347,967	1,347,967
Accumulated depreciation	(1,285,810)	(1,231,892)
Net book value	62,157	116,075

15. INTANGIBLE ASSETS

	2020 $	2019 $
Computer software		
At cost	2,747,933	2,666,170
Accumulated amortisation	(2,036,718)	(2,007,156)
Net carrying amount	711,215	659,014

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

	2020 $	2019 $
Computer software		
Balance at the beginning of the year at cost	659,014	484,626
Additions	401,313	468,641
Amortisation expense	(349,112)	(294,253)
Balance at the end of the year	711,215	659,014

16. DEPOSITS

	2020 $	2019 $
Call deposits (including withdrawable shares)	486,348,055	500,516,392
Term deposits (including accrued interest)	93,035,701	103,387,310
	579,383,756	603,903,702
Amount of deposits expected to be settled more than 12 months after the reporting date	5,701,100	8,324,374

(a) Concentration of deposits

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

(b) Fair value

Refer to Note 31(c) for details of the fair value of these financial instruments.

17. OTHER PAYABLES

	2020 $	2019 $
Annual leave and other employee entitlements	414,367	376,268
Sundry creditors and accrued expenses	642,955	514,540
	1,057,322	890,808
Amount of other payables expected to be paid more than 12 months after the reporting date	-	-

(a) Fair value

Refer to Note 31(c) for details of the fair value of these financial instruments.

18. BORROWINGS

	2020 $	2019 $
Term funding facility	14,699,451	-
Amount of borrowings expected to be paid more than 12 months after the reporting date	14,699,451	-

(a) Term Funding Facility

On 29 June 2020 MOVE Bank borrowed $14,699,451 from the Reserve Bank of Australia's (RBA) Term Funding Facility (TFF). The TFF is being offered by the RBA to all ADIs since the onset of the COVID-19 pandemic. The borrowing is for a term of 3 years repayable on 29 June 2023. MOVE Bank provided securities in the form of ADI interest bearing deposits (refer Note 11) with a face value of $16,650,000 as collateral for this facility.

(b) Fair value

Refer to Note 31(c) for details of the fair value of these financial instruments.

19. LEASE LIABILITIES

	2020 $	2019 $

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Movement schedule of lease liabilities	2020 $	2019 $
As at 1 July 2019	1,102,550	-
Accretion of interest	15,720	-
Payments	(189,925)	-
Remeasurement change in lease liability	(71,347)	-
As at 30 June 2020	856,998	-
Amount of property leases expected to be paid more than 12 months after the reporting date	714,113	-

(a) Property leases

Lease liabilities relate to the following two leases:

- Ground floor, 179 Ann Street, Brisbane – a five and a half year extension of a lease with monthly payments in advance. The lease expires in December 2020.
- Central Railways Station, Brisbane (Plaza Level) – a five year extension of a lease with monthly payments in advance. The lease extension is effective 16 December 2020 and expires on 15 December 2025.

20. PROVISIONS

	2020 $	2019 $
Long service leave and associated costs	465,639	564,405
Amount of provisions expected to be paid more than 12 months after the reporting date	174,785	240,693

21. REDEEMED PREFERENCE SHARES

	2020 $	2019 $
Redeemed preference share	221,860	213,900

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.

22. RESERVES

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.

23. 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

	2020 $	2019 $
Net profit for the year	1,481,965	1,725,020
Adjustments for:		
Depreciation	770,628	612,461
Amortisation	349,112	294,253
Impairment of loans and advances	28,912	577,961
Remeasurement change in lease liability	(71,347)	-
Make good component in lease asset recognition	(17,000)	-
Changes in assets and liabilities		
(Increase)/decrease in other receivables	517,338	(285,777)
(Increase)/decrease in financial assets amortised cost	7,578,264	(51,274,504)
(Increase)/decrease in loans and advances	5,508,519	(2,648,271)
(Increase)/decrease in other assets	(83,421)	(42,337)
(Decrease)/increase in current tax payable	(345,512)	88,021
(Decrease)/increase in provisions	(98,766)	(3,010)
(Decrease)/increase in other payables	166,514	(288,542)
(Decrease)/increase in net deferred taxes	91,129	(21,201)
(Decrease)/increase in deposits	(24,519,946)	54,620,595
(Decrease)/increase in borrowings	14,699,451	-
Net cash inflows from operating activities	6,055,840	3,354,669

(c) Reconciliation of movements of net debt to cash flows arising from financing activities

		Cashflows	Non-cash changes		
Year ended 30 June 2020	**Net debt opening balance $**	**Repayments $**	**Initial recognition $**	**Remeasurement changes $**	**Net debt closing balance $**
Lease liabilities	-	(174,205)	1,102,550	(71,347)	856,998

24. COMMITMENTS

(a) Outstanding loan commitments

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

	2020 $	2019 $
Loans approved but not funded	8,325,071	7,827,246
Undrawn overdrafts	36,932,827	38,853,288

25. 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 2020 was Nil (2019: Nil).

26. AUDITORS' REMUNERATION

The auditor of MOVE Bank is BDO Audit Pty Ltd.

	2020 $	2019 $
Amounts received or due and receivable by BDO Audit Pty Ltd for:		
An audit or review of the financial report of MOVE Bank	80,300	78,000
Other statutory assurance services - regulatory or prudential audits	43,900	42,600
	124,200	120,600

27. STANDBY BORROWING FACILITIES

MOVE Bank has a gross borrowing facility of:

	Approved Facility $	Current Borrowing $	Net Available $
2020			
Corporate Online Funds Transfer (NAB)	1,000,000	-	1,000,000
	1,000,000	-	1,000,000
2019			
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.

28. 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	Retired 15 March 2020
Bronwyn (Bron) D Davies	
Thomas (Bill) W Armagnacq	Appointed 23 October 2019
Kellie L Dyer	
Andrew J Hughes	
Scott J Riedel	
Michael (Mick) F Skinner	
Timothy (Tim) J Staley	Appointed 20 May 2020

(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 (2019: 7) and 9 members of the Management (2019: 8) responsible for the day-to-day financial and operational management of MOVE Bank.

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)
Steven Galdona, Chief Credit Officer (CCO)
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	
	2020	2019	2020	2019
	$	$	$	$
Short-term employee benefits	277,340	282,704	1,725,851	1,602,679
Termination payment (including long service leave and annual leave)	-	-	-	1,686
Post-employment (including superannuation)	26,210	26,857	140,544	132,990
Other long-term (including long service leave and annual leave)	-	-	150,573	163,033
	303,550	309,561	2,016,968	1,900,388

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.

28. 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 may have received a concessional rate of interest on their loans and facilities for part of the reporting period. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above. As at 30 June 2020 no KMP who are not Directors receive a concessional rate of interest on their loans and facilities.

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.

	2020	2019
	$	$
The aggregate value of loans	4,253,695	4,445,390
The total value of other credit facilities to KMP as at the balance date amounted to:	128,000	103,000
Less amounts drawn down and included in the above balance	(16,261)	(18,025)
Net balance available	111,739	84,975
During the year the value of term loans funded to KMP	78,000	-
	78,000	-
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	154,743	180,017

(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 all KMP Directors on terms and conditions no more favourable than those available on similar transactions to members of MOVE Bank.

	2020	2019
	$	$
Total value term and savings deposits at year end	1,667,356	1,070,578
Total interest paid on deposits	26,570	18,796

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.

29. 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.

30. CLASSES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a summary of financial instruments by class.

	2020 $	2019 $
Loans and receivables - measured at amortised cost		
Cash and cash equivalents	28,498,733	23,070,400
Other receivables	343,815	861,153
Loans and advances	490,442,323	495,979,754
	519,284,871	519,911,307
Amortised cost investments - measured at amortised cost		
Financial assets amortised cost	136,484,605	144,062,869
Financial assets at fair value through other comprehensive income		
Investment securities	1,844,384	1,844,384
Financial liabilities measured at amortised cost		
Deposits	579,383,756	603,903,702
Other payables	1,057,326	890,808
Borrowings	14,699,451	-
	595,140,533	604,794,510

31. 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 (ie. 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.

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.

31. 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 2020.

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 2020.

Other payables

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

Borrowings

The Term Funding Facility is a fixed rate borrowing and the fair value was calculated by utilising discounted cash flow models based on the maturity of the borrowing. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the borrowing as at 30 June 2020.

(c) Financial assets and liabilities

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

		2020		2019	
	Note	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial Assets					
Cash and cash equivalents	8	28,498,733	28,498,733	23,070,400	23,070,400
Other receivables	10	343,815	343,815	861,153	861,153
Financial assets at amortised cost	11	136,484,605	136,484,605	144,062,869	144,062,869
Loans and advances	12	490,442,323	497,491,670	495,979,754	502,157,647
Investment securities	9	1,844,384	1,844,384	1,844,384	1,844,384
Financial Liabilities					
Deposits	16	579,383,756	579,920,547	603,903,702	604,570,842
Other payables	17	1,057,322	1,057,322	890,808	890,808
Borrowings	18	14,699,451	14,712,275	-	-

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

31. FAIR VALUE MEASUREMENT (continued)

(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 $
2020				
Financial Assets				
Investment securities	-	-	1,844,384	1,844,384
Non-Financial Assets				
Land and buildings	-	-	3,800,000	3,800,000
	-	-	5,644,384	5,644,384
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

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 2020 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 $
2020					
Financial Assets					
Investments	-	136,484,605	-	136,484,605	136,484,605
Loans and advances	-	497,491,670	-	497,491,670	490,442,323
Financial Liabilities					
Deposits	-	579,920,547	-	579,920,547	579,383,756
Borrowings	-	14,712,275	-	14,712,275	14,699,451
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
Borrowings	-	-	-	-	-

31. FAIR VALUE MEASUREMENT (continued)

(e) Level 3 fair value hierarchy

	2020 $	2019 $
Movements in level 3 of the fair value hierarchy		
Balance at the beginning of the financial year	5,641,062	5,028,719
Losses recognised in profit or loss	(103,992)	(103,326)
Gains recognised in other comprehensive income	107,314	-
Gains recognised through fair value reserve	-	715,669
Balance at the end of the financial year	5,644,384	5,641,062
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	-	-

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	$4,530 to $5,653 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 2020 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

Bron Davies

Bronwyn (Bron) D Davies
Chair
Brisbane

Mick Skinner

Michael (Mick) F Skinner
Chair, Audit & Compliance Committee
Brisbane

Dated this 30th day of September 2020.

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Railways Credit Union Limited (trading as MOVE Bank) (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and 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 Limited (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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

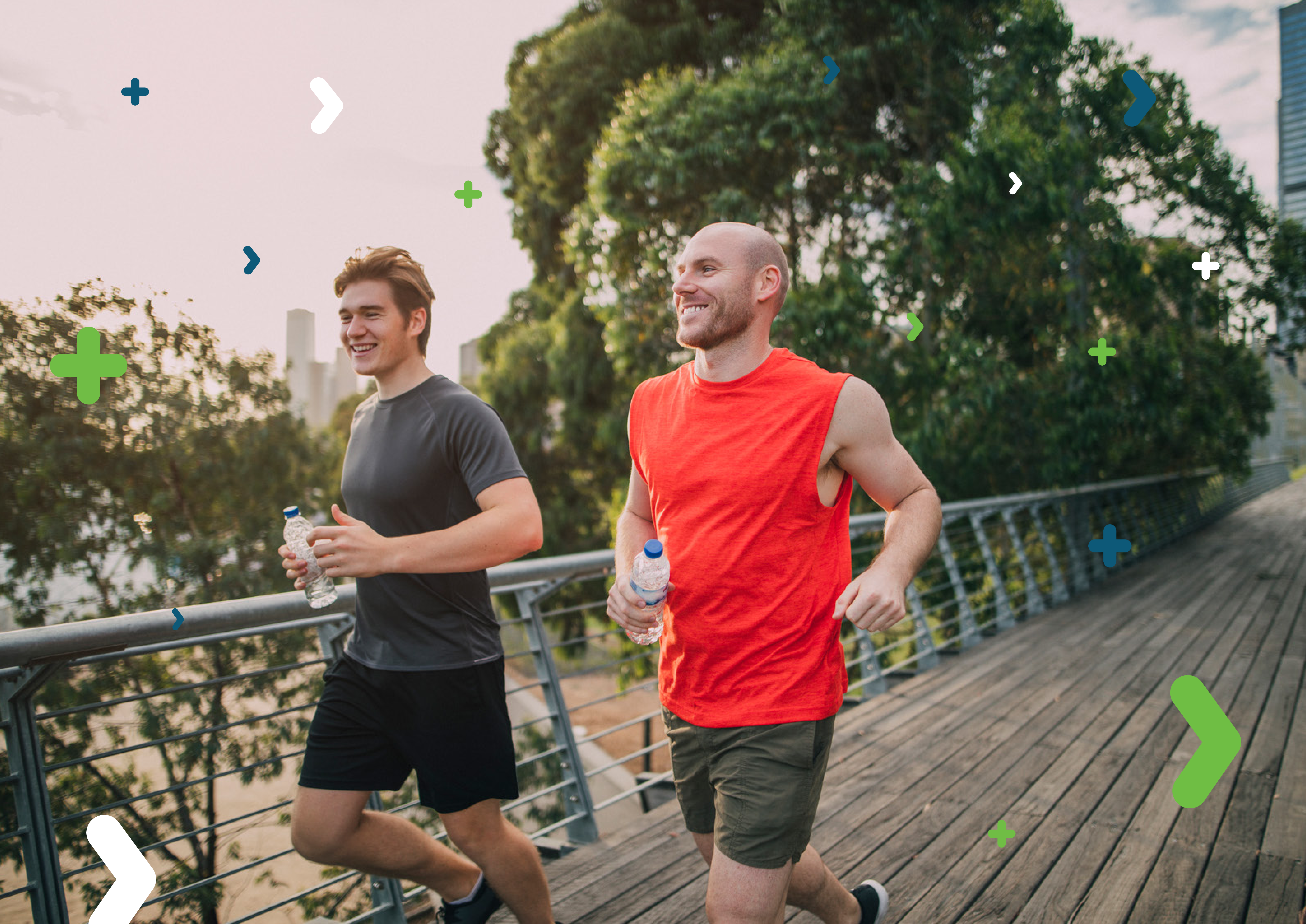
BDO Audit Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane, 30 September 2020



MOVE BANK

Member Contact Centre

T. 1300 362 216 **M.** GPO Box 648, Brisbane QLD 4001
W. movebank.com.au **E.** info@movebank.com.au

/movebanksocial /movebanksocial /movebanksocial

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