

# 50th Annual Report

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2020 – 2021



Woolworths  
**Team Bank**

Woolworths Team Bank acknowledges the Traditional Custodians of the lands on which we live and work. We pay our respects to Elders past, present and emerging.

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# CHAIRMAN & CEO'S REPORT

After more than fifty years of operation, we have been privileged to have been the bank for team members of the Woolworths Group of Companies, and their families. It is a legacy we will cherish and build on, regardless of any adversity we may face.

Indeed, the original founders of Woolworths Team Bank in 1971 could not have foreseen the operating conditions that we would experience in our 50th year. The way we work, live and, of course, bank changed dramatically a few years ago, and our world will never be the same.

Despite that difficult operating environment, we are immensely proud that, as an organisation, we have worked through the challenges and, more importantly, continued to provide the highest level of service and support to our most important stakeholders: our members.

Woolworths Team Bank demonstrated how resilient the team could be by continuing to work remotely and ensuring the strong operational aspects of our bank continue. Under difficult economic conditions, including fluctuating national property prices, we continued to provide competitive and responsible lending solutions to team and associated family members across the country.

Our ongoing management of COVID-19 focused primarily on two fronts. We continued to support the membership by catering to individual situations, and we safeguarded our own team through prudent decisions on how we maintain a high level of service without face-to-face contact.

## Financial overview

We are excited to note an increase in our operating profit for the financial year from the previous period. This has been achieved through steadfast fiscal management and adapting how we operate during this time. As such, our profit result of \$100,852 (2020 : \$76,320) with total assets at the end of the year totaling \$136m (2020 : \$127m) is a pleasing outcome.

Our capital adequacy continues to improve and has seen an increase from the previous period (FY20 15.37%) to 15.76%. Liquidity also remains strong at 24.54% (FY20 18.76%), and both of these are comfortably within the required regulatory benchmarks.

## Looking forward

The Safeway Employees Credit Co-Operative ended its first year with 112 members, 90 non-member depositors and a net loss of \$667. Yet, the 1972 director's report was unequivocally positive in its outlook. We had started out by writing 25 loans and managing \$14,718 in deposits, and the future was bright.

Indeed, just a few years later, the directors noted 'outstanding progress' in finances by 1975. 11 years later, the report's front cover boasted, '\$3 million in assets', and Chairman Alec Burton proudly stated in 1996 that they would expand offerings to the Supermarket division nationwide.

Over the years, Woolworths Team Bank has continued to act positively, and with great purpose and ambition. We feel it is important to look ahead with optimism at what we can build next for our members.

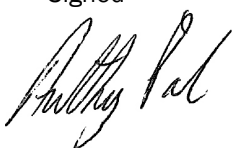
We are investing in products and services that will ensure the customer experience continues to improve. Notably, we are currently in the final stages of launching a new website with greater flexibility and enhancements than we have seen in the past. We also routinely review and improve our product range to ensure we have the right options available for current and future members.

As we endeavour to service team members and their families in all corners of the country, our investment in digital assets is critical. We need to ensure that, no matter where members are located, they have a simple and convenient way to access our products and our team. This is a key pillar in our future strategy.

This roadmap is paved by thoughtful, considerate leadership from our Board of Directors, the efforts of our Executive Team, and our hardworking staff. It would also not be possible without the support of our host organisation, Woolworths.

We look forward to striving for even greater milestones in the years ahead. 50 years is just the beginning.

Signed



Tony Parle, Chairman  
19/10/2021



Rod Attrill, CEO  
19/10/2021







# OUR STORY

In February 1971, employees of Safeway – an American-owned supermarket chain – called a meeting in the hope of passing a motion to form a credit union. It passed, and Safeway Employees Credit Co-operative was registered in April of that year. The first member, Lance Court, was registered on 19th May 1971.

**That's how our bank began.** Safeway Australia founder, Bill Pratt, was a leading force behind the creation of the credit union.

"... All these executives, they obviously - back in those days - studied the American supermarket world closely, and Americans had credit unions everywhere.

It was a natural fit that Bill Pratt wanted an employee benefit to go to the employees and one of those benefits was the establishment of the credit union."

Peter Challis, Manager of Safeway Employees Credit Co-operative from 1985-1992

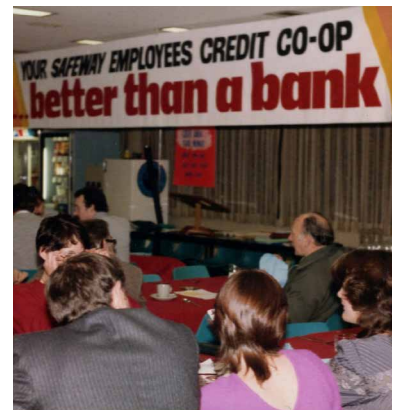
The appeal was always strong for a customer-owned institution that could act as an exclusive benefit to hardworking team members.

However, word didn't spread quickly. After one year of operation, the credit co-operative had 112 members and just 90 non-member depositors. We finished the year \$667 behind plan.

It was a modest beginning, but the bank evolved to meet and anticipate the needs of more and more members in the years that followed.

In the first 10 years of operation, membership increased to 2,837. Christmas Clubs were formed to help pay for those special end of year events. In 1981, we even boasted about our 'new on-line computer system' for the office.

*Annual General Meeting, 1975*



*Bill Pratt, 1991*



*Board Meeting, 1990*



*Staff at our 20th anniversary*



*Mulgrave Branch, 1990s*



Years went on, and we changed our name and begun to cater to more employees. In 1995, we began to offer home loans to members. Woolworths authorised the credit union to expand to states outside of Victoria the following year, helping us grow across the country.

By the turn of the millennium, the credit union had successfully introduced Visa debit cards and avoided any “calamity” arising from Y2K (although the Annual Report from 2000 notes the enormous impact of the GST). In stark comparison to the meagre \$7,000 in loans in our first year, we did \$20 million in 2001.

In 2004, Woolworths/Safeway Employees’ Credit Co-operative achieved a significant milestone by welcoming its 10,000th member, Shileen Saunders.

Our size and customer base would always prove to be an advantage of sorts, allowing us to prioritise our customer service and our products without compromising elsewhere. This would ultimately be reflected in how customers feel about Woolworths Team Bank.

Bob Cope, former secretary/manager of the credit union, said it best.

“A lot of people, rightly or wrongly, say the banks are a bit too big. I think because it was an employees’ credit co-operative, (customers) felt, ‘That’s a good place to keep my money, where I work.’”

During our 45th year of operation, we reached \$100 million in total assets. Only a few years later, we hit another massive milestone: 20,000 members.

Our latest achievement has nothing to do with products or money, though; in 2019, we changed our name – at last – to Woolworths Team Bank. It was a critical turning point, best reflecting our range of products and services.

It’s something we keep in mind every day as we serve Woolworths team members, as well as the Endeavour Group, the 25 Year Club, and our ‘WOW Family’.

In April 2021, we celebrated our 50th Anniversary of supporting team members and their families. It’s special not because it marked a meteoric event, but a renewed commitment to our mission and values.

**Our mission nowadays?** To help members of the Woolworths family achieve financial security and well-being by providing a range of relevant, competitively priced savings, lending and other financial services.

## Our values

- Trustworthy, friendly and high-performing
- Ethical, with moral integrity
- Financially strong, safe and secure
- Competent and well-governed

## What does our future look like?

We asked our staff what they were looking forward to most when it comes to Woolworths Team Bank's future. Overwhelmingly, the responses focused on two areas.

1. Tell more people who we are and what we do.
2. Offer a peerless customer experience for anyone who wants to engage with us.

We firmly believe that our service is excellent, and we want it to be even better. Furthermore, it's critical that anyone who could benefit from our excellent suite of products needs to first know about them, and we have big plans to make this a reality.

**In short, there's never been a more exciting time to be a part of the Woolworths Team Bank story.**

*The Norwest Team, 2020*



# OUR YEAR AT A GLANCE

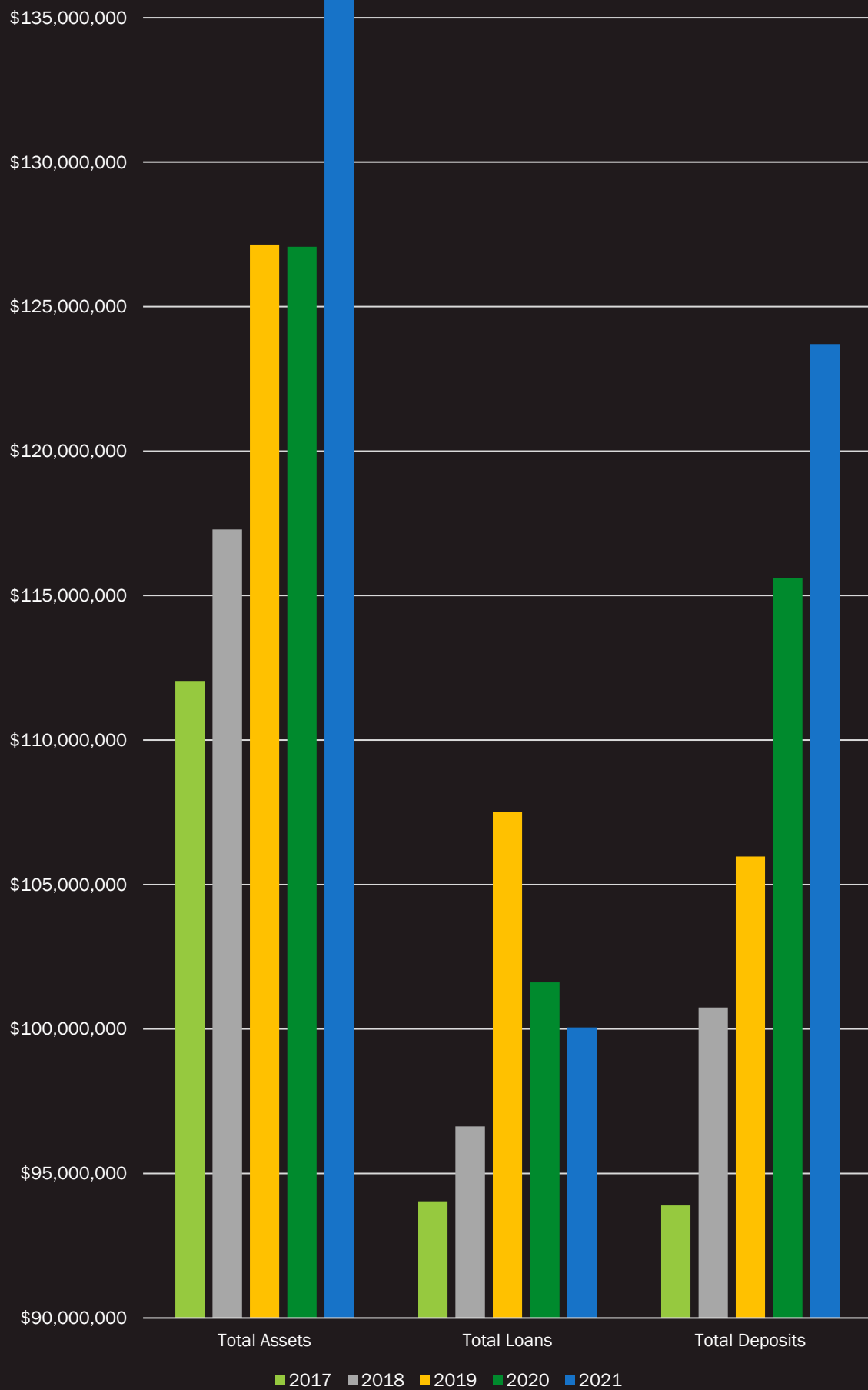
Our bank has always taken great pride in our ability to connect with members. In 2021, it became more challenging to stay in touch, with both our New South Wales and Victoria branches seeing reduced foot traffic due to the global pandemic.

It speaks to the heart of our brand and our people that we continued to make meaningful interactions with our members during this period.

- Tens of thousands of people visited our website during the year to search for better products with us.
- Our most active age group online were aged 25-34, representing more than a quarter of our users.
- While New South Wales and Victoria had the greatest number of customers enquiring online, Western Australia was our fastest-growing region of users, increasing year on year by 230%.
- Home Loans continue to be our most popular product that users looked at, followed closely by car loans.

Furthermore, it continues a trend of excellence that stretches back many years.

Performance over the last five years









# OUR MEMBERS

Our members make our bank what it is. For more than fifty years, we've endeavoured to place each and every one of them at the centre of our focus.

This, in turn, has reflected in their view of us. Thousands of people visit our website every month from across the country, of all different ages and backgrounds. As such, when they decide they're interested in becoming a member, it's like welcoming someone to the family.

And, like any family, we have some great stories about them.

## Our team talks about the bank and our members

"Every time Mr & Mrs Jackson come in, they are lovely people and always ask how my children are going." – Amy Simcox

"A member had an inheritance coming from overseas and I was able to negotiate a much better rate than initially quoted. She was so overwhelmed, because those extra dollars were so unexpected. She even bought us flowers. Taking a few extra minutes can make all the difference in people's lives." – Diane Micallef

"The best interactions are where you are able to save members hundreds of thousands of dollars on their Home Loans compared to their previous bankers. Their excitement, joy and the element of surprise makes my day and this is what a mutual bank is all about." – Stephen Cook

"Turning down a member for a loan and being rewarded with a box of chocolates for being honest about why it did not proceed. She came back six months later, other debts paid off, with a deposit and we gave her a loan. She paid that loan perfectly." – Victoria Tellatin

"I once had a customer getting a home loan from us. The family had six kids, all relatively young, so it was impossible for the husband and wife to get into our office. So, I made an appointment early one morning and did the sign up in their lounge room. I was the entertainment for the morning, with all the kids keen to come and look at who had come to visit!" – Brendan Flynn

*Anne Westbury & member*



## Speaking with some of our loyal members

Erin Clark has been a member of Woolworths Team Bank for over 25 years. Erin was introduced to mutual banking by her mum, Lyndall, who was a loans officer with Woolworths Team Bank. Our bond allows family members of employees of the Woolworths Group to become members. In this way, not only is Erin a member, but so is her husband, her daughters and her in-laws.

As well as having a regular bank account with Woolworths Team Bank, Erin also has a home loan with us, and in the past has taken out personal loans and a longer-term savings account. Her parents-in-law have their mortgage with us as well.

"The customer service is the reason that we're still there", says Erin. Furthermore, she says:

"We've explored options over the years. More recently with interest rates being so low and [with] so many competitors out there, we've explored them and we went back to (Woolworths Team Bank) because their service is so personalised.

"I think that's something that we certainly know, even just going through the process of exploring other options, that the one on one service that you can get from the mutual, you can't get from those bigger institutions.

"I suppose going through that whole COVID period, you know, there was probably a lot of doubt for a lot of people. We knew that we'd be genuinely looked after by Woolworths Team Bank if we needed to be. The service from them is far beyond anything you'd get from large banks that's for sure."

*Photograph by Nathan Dumlao*

"I do enjoy the experience working with the staff. I think (the bank) is more customer-focussed than other financial institutions. Every time I go in, they're always really helpful. You don't get a lot of that these days!"

- Shane Kerr



"Every time I go to talk with Donna or Simone, they're such friendly people. It's a pleasure to come and see you, or talk over the phone. There's just so many stories (I have of the bank), you wouldn't have space for all of them!"

- Susan Pellegrin



*Front cover of our 12th Annual Report, 1983*

Maggie Marks is the Reception / Concierge Manager at Woolworths Group headquarters at Norwest in Western Sydney. She has been with Woolworths for 17 years and credits Woolworths Team Bank for making it easier for her to enjoy her life.

While raising three children as a single mum, Maggie has been able to manage a home loan and an investment property as well as personal loans for travel - thanks to our staff working out of Norwest.

Her home loan was initially with a Big 4 bank at a time when interest rates were less forgiving than they are today. Upon being informed by her broker that a better deal on her loan wouldn't be forthcoming at her bank or anywhere else, she thought she'd ask us out of curiosity.

Within a couple of days Woolworths Team Bank had come back to her with a better deal. "I was just ecstatic", said Maggie. "Here I was asking the broker to help me and he couldn't and here all along I had Woolworths Team Bank right under my nose. They were so obliging, they gave me a really good rate and they have looked after me ever since", said Maggie.

Gary Lee arrived in Australia with his parents from Malaysia when he was a teenager. His family made lives for themselves here but in 1996 Gary set off for South East Asia for various work opportunities. His work brought him back to Australia from time to time but he came back to Australia for good with his own family in 2015.

Not long after resettling in Australia, Gary took up a position with Woolworths and currently works as a Performance Improvement Manager. He became a member of Woolworths Team Bank when looking for a home loan.

"When I came back to Sydney I was actively trying to look for a house for my family. So my first engagement with Woolworths [Team Bank] was when I was trying to look for a home loan", said Gary.

"Because I didn't have much of a credit history, being away in the Asia Pacific for such a long period of time, it was actually very difficult for me to apply for a loan with any of the big banks. When I was working with Woolworths, I noticed that the Woolworths Employees Credit Union was available. I approached them and told them my predicament and they helped me in applying for a home loan", said Gary.



"I was helping out on a store refurbishment in Rozelle and a liaison officer came to the store and we got chatting and she asked me, 'What's your mortgage rate? Are you happy with your bank?'" said Adam.

He went on to say, "I got on my phone and checked out what kind of interest rate I had and they drew up a bit of a plan for me showing what they could do and I ended up switching to Woolworths Employees Credit Union, as it was at the time, because they gave me a better deal and the service was great."

- Adam Ligakis

"I joined Safeway in 1974. They were encouraging payroll to debit your account with your wages. I think in 79' I made myself available to become a director of the credit union. So, that's about 40 odd years I've been with (Woolworths Team Bank). Every four weeks, I still go down to Mulgrave and collect my cash."

"I stick with people who know what they're doing, and who I trust. What stands out (about Woolworths Team Bank) is the outstanding service. They're all friendly, they're all knowledgeable – you can't ask for more than that!"

- Bernie Henderson

Photograph by Heidi Fin





Kerry Brophy has worked for the Woolworths Group for 32 years. She's filled numerous positions over that time, including in supermarkets and currently works as business support to Woolworths Executives.

She has been with Woolworths Team Bank since 2002 and uses their products in order to save for holidays and other adventures using her "bucket system".

"I use Woolworths Team Bank to save for holidays and certain wages go in there. I love the Christmas Club it's absolutely awesome! It's a great system they have set up with that", said Kerry.

At one time, Kerry was involved with the induction of Woolworths employees at the Norwest HQ where she enjoyed recommending the services of Woolworths Team Bank to new starters.

Kerry said, "One of the roles I had with Woolworths was with the Talent Development Academy. So I'd do all the training and the induction for when they first started in the building. I used to do the tour and I used to always go up and show them where the supermarket was and I'd go up where the credit union was (at that time it was the credit union) and they would give you all the sample bags and all the applications for new starters to sign up to if they wanted.

I used to sing their praises because it's so great to be able to walk up to someone, when you're in the office and they know who you are, you're not a number and you get this terrific service."

"The experience was great, and you always deal with someone face to face. It's amazing how it's all evolved. When I retire, I'll remain with the bank, as I've never had any issues with them and they're great to work with."

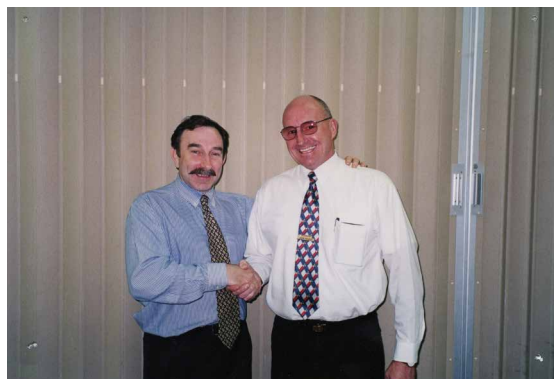
"There's a sense of security for being a Woolworths Team Bank member. It's always worth going past the bank to say hello, too!"

- Donna Patchett

*Colin Perkins, Josephine McGabe & Trevor Anderson*



*Tony Parle & John McLeod*



## Our community

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Over the years, we've offered scholarships to students who need a hand in getting started in their careers. It's been a particularly gratifying way to give back to our community, one that we hope to continue into the future.

### Aaron Lucas, 2016 Winner

*My dad's an employee of Woolworths, and he saw (the scholarship advertisement) somewhere and said, 'Why don't you apply?'*

*I was planning to go to university in 2017. I'm currently at University of NSW doing electrical engineering and cyber security.*

*I used (the scholarship money) for tuition, ... but I also bought an iPad. It sounds a bit strange, but it's perhaps the best thing I ever bought for uni, because it meant I didn't have to carry around tonnes of notebooks or textbooks. They're like 1,000 pages, they're massive. You carry a couple of those around, they get pretty heavy. Honestly, it made things a lot easier. Also, some of the (handbooks) are \$200-300 dollars each, for just one subject!*

*The scholarship money has been extraordinarily helpful. I'm still using that iPad after all those years. It's still going strong!*

### Danika Rojas, 2019 Winner

*I heard about it from my Dad, who works in the Norwest. I remember we had to submit an application with a few answers to questions on it, and I supplied some references.*

*I'm studying a degree of Commerce and Psychology, a double degree at Macquarie. It's hard, but it's a good time! It's four years if you're doing just psychology and commerce, but I'm considering the honours program for psychology, so that adds on a year.*

*Originally, I was going to use (the scholarship money) towards going on exchange. I've been using it now to pay for student fees, textbooks, amenity fees. It was perfect to have that money, because it doesn't have to come out of my own earnings. I would have loved to use it for exchange. Hopefully next year I could have that opportunity.*

*I'm very grateful to have gotten it, it's actually been really helpful.*





Photograph by Gabin Vallet



# DIRECTORS' REPORT

## Anthony Parle (Chair)

- MAMI, FCPA, GAICD
- Bachelor of Business (Accounting)
- Director since May 1994
- Audit Committee
- Governance & Remuneration Committee
- Risk Committee



Tony Parle is a highly qualified and experienced member of the Woolworths Team, he has been a director since 1994 and chairman since 1999. He serves on a number of the sub-committees alongside his role as chair of the board. Tony is a strong advocate of mutual banking and providing benefits to team members through the bond to the Woolworths group. This has seen extensive growth through Tony's time on the board and he has driven a number of key changes within the bank including the rebranding from WECU to Woolworths Team Bank in recent years.

## Jane Ogg

- GAICD
- Master of Commerce (HRM)
- Graduate Diploma of Frontline Management
- Bachelor of Commerce
- Director since April 2020
- Chair - Governance & Remuneration Committee



Jane Ogg was appointed a director of Woolworths Team Bank in April 2020, and has been Chair of the Board Governance and Remuneration Committee since May 2021. Jane has extensive experience within the financial services industry, where she held senior HR positions with Commonwealth Bank, Perpetual and AMP before joining Woolworths Group in 2017. Jane specialises in performance and reward policy and programs and has supported the people and remuneration committees of ASX listed company boards for over 10 years.

## Anthony Wilson

- MAMI, GAICD
- Master of Management
- Master of Risk Management
- Director since November 2013
- Governance & Remuneration Committee
- Audit Committee
- Chair - Risk Committee



Anthony Wilson is a founding partner of ABM Risk Partnership, a niche consultancy that has advised Executives and Boards in industries as diverse as Telecommunications, Veterinary, Finance & Financial Services, Insurance, State Government Departments, and Retail.

Anthony retains a strong commercial focus, especially given his broad senior executive experience in both support and operational roles. He has held senior roles in workers compensation and public liability, claims management, insurance, human resources, procurement, mergers and acquisitions, liquor licensing and operations and also held the role of Chief Audit Executive for Woolworths. He is the author of *The Uncertainty Effect: An Introduction to Risk Management* and is a private pilot and aircraft owner.

## Paul Ryan

- MAMI
- Post Graduate Certificate in Management
- Director since July 2001
- PostGradCert (Business & Marketing)
- Marketing & Development Committee
- Governance & Remuneration Committee



Paul Ryan is highly active community member and a father of three. He works at Goodstart to advocate for the most vulnerable – to ensure all Australia's children have equal opportunities for school and life success.

Paul is a state manager with 35 years' experience working for major national organisations and brings deep leadership and operational expertise in managing diverse organisational footprints and people. With a strong background in all areas of business operations – marketing, logistics to procurement and finance – Paul has a deep understanding of what's needed to support his team and centres be their best.

Paul has a passion for people and making a difference in the communities we all live in. He is a volunteer and fundraiser for a number of charities including Australian Red Cross, Country Fire Authority, Victoria Police Blue Ribbon Foundation and The Royal Children's Hospital Foundation Melbourne.



## Bree Ashley

- MAMI, CA, GAICD
- Graduate Diploma of Applied Finance
- Bachelor of Commerce
- Director since March 2018
- Chair - Audit Committee
- Risk Committee



Bree Ashley has more than 15 years experience in commercial and financial accounting. She is drawn to challenging roles providing growth opportunities and the ability to work with a diverse group of people. Her career has seen her work at PricewaterhouseCoopers, Downer EDI, Woolworths and Endeavour where she is currently the General Manager Finance BWS.

Bree holds a Bachelor of Commerce from Sydney University and a Diploma of Applied Finance. She is also a member of the Institute of Chartered Accountants and a graduate and member of the Australian Institute of Company Directors.

## Darren Rowan

- GAICD
- Post Graduate Certificate (Management)
- Diploma of Management
- Director since August 2018
- Chair - Marketing & Development Committee



A strategic and visionary technology leader with over 26 years of retail/IT experience, Darren Rowan is focussed on delivering next-generation technology roadmaps and service delivery plans to support a Board's vision and goals. He is currently the Head of IT - Project Delivery Stores for Woolworths Limited.

He regularly serves as a strategic advisor to the business, offering invaluable insight into 18-month planning, infrastructure consolidation and growth, enterprise frameworks, risk, compliance and change.

Darren has expertise in building store networks and across ERPs, SAP and MS Dynamics. He is also passionate about building and developing high-performance teams and future leaders.

## Peter Hathaway

- Bachelor of Arts
- Certificate in Direct Marketing
- Director since July 2020
- Marketing & Development Committee



Peter Hathaway was appointed a director of Woolworths Team Bank in June 2020, and has been a member of the Board Marketing and Development Committee since June 2020. Peter has over twenty years experience in the food and beverage retail industry, where he has held senior General Management, Commercial, Brand & Marketing positions for Woolworths Food Company and Pinnacle Drinks businesses within Woolworths Group.

Prior to joining Woolworths Peter worked for The Cellarmaster Group and Australian Wine Selectors. Peter is currently General Manager of Macro Wholefoods Company, a Woolworths Group business.

## Chris Cramond

- Director since January 2020
- Marketing & Development Committee



Chris Cramond is the General Manager, Woolworths Group Exports and Wholesale with the Woolworths Group and has been an appointed Director of the Bank since January 2020. Mr Cramond headed up Woolworths Financial Services which included the starting up of Woolworths Insurance.

Chris is also a member of the Bank's Board Marketing and Development Committee.

## Reference

- MAMI – Member Of Australasian Mutuals Institute Ltd.
- GAICD – Graduate Of The Australian Institute Of Company Directors
- FCPA – Fellow Of Certified Practicing Accountants Australia
- CA – Member Of Chartered Accountants Australia and New Zealand

Woolworths Team Bank Limited is a company registered under the Corporations Act 2001. Your directors present their report on the Bank for the financial year ended 30 June 2021.

## Information on Directors

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

- A E Parle – Chair
- A M Wilson – Deputy Chair
- B Ashley
- C M Elliott (resigned 4th May 2021)
- P D Ryan
- D J Rowan
- C Cramond
- J Ogg
- P Hathaway

The Directors retire by rotation and/or as per the Constitution's Terms of Office provisions. Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

## Information on Company Secretary

The Company Secretary is Mr Rod Attrill – MBA. Mr Attrill has been company secretary since February 2020.

## Directors' benefits

No Director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by Woolworths Team Bank (WTB), a controlled entity, a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 20 of the financial report.

## Review and results of operations

The Bank experienced an increase of 2.59% (2020 decrease of 5.86%) in operating income during the year and an increase in non-interest expenses of 1.81% (2020: decrease of 0.48%), resulting in an operating profit (after income tax) of \$100,852 (2020:\$76,320), representing a return on assets of 0.07% (2020: 0.06%).

Members' funds grew by 1.08% (2020:0.83%). Reserves now stand at \$9.38 million (2020: \$9.28 million), which equates to a capital adequacy level of 15.76% (2020: 15.37%).

In the opinion of the Directors, given the circumstances related to the COVID-19 pandemic, the results for the year were satisfactory. No dividend has been declared by the Directors.

## Principal activities

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



## Significant changes in the state of affairs

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

## Significant events after the balance date

Whilst there has been no matters or significant events since the end of the financial year which will affect the operating results Woolworths Team Bank has continued to monitor and manage the impact of the COVID-19 pandemic.

Woolworths Team Bank has put in place several measures to support the membership and we are intentionally maintaining a higher level of liquidity during this uncertain period.

As the expected length of the pandemic is unknown and whilst there has been an impact on markets both domestically and globally the core bond with the Woolworths Group team members allows Woolworths Team Bank to remain in a strong position financially.

Consequently, we are of the opinion that this matter will not significantly affect the operations, the results of the operations and the state of affairs of the Bank for the subsequent financial year.

## Likely developments and expected results

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

- The operations of Woolworths Team Bank;
- The results of those operations; or
- The state of affairs of Woolworths Team Bank

## Auditor's independence

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 33.

## Rounding of amounts

The Bank is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar, or in certain cases, to the nearest thousand.

## Directors' meetings

The numbers of meetings of directors (including meetings of Committees of Directors) eligible to attend during the year and the number of meetings attended by each director were as follows:

AUDIT COMMITTEE			MARKETING & DEVELOPMENT COMMITTEE		
DIRECTOR	ELIGIBLE	ATTENDED	DIRECTOR	ELIGIBLE	ATTENDED
TONY PARLE	5	4	DARREN ROWAN	3	3
ANTHONY WILSON	3	3	PAUL RYAN	3	2
BREE ASHLEY	5	5	CHRIS CRAMMOND	3	3
CARMEN ELLIOTT	5	3	PETER HATHAWAY	3	3

GOVERNANCE & REMUNERATION COMMITTEE			RISK COMMITTEE		
DIRECTOR	ELIGIBLE	ATTENDED	DIRECTOR	ELIGIBLE	ATTENDED
TONY PARLE	6	6	TONY PARLE	5	4
ANTHONY WILSON	6	6	ANTHONY WILSON	3	3
PAUL RYAN	6	4	BREE ASHLEY	5	5
JANE OGG	3	3	CARMEN ELLIOTT	4	3

BOARD MEETING			TOTAL		
DIRECTOR	ELIGIBLE	ATTENDED	DIRECTOR	ELIGIBLE	ATTENDED
TONY PARLE	10	9	TONY PARLE	26	23
ANTHONY WILSON	10	8	ANTHONY WILSON	22	20
DARREN ROWAN	10	9	DARREN ROWAN	13	12
BREE ASHLEY	10	9	BREE ASHLEY	20	19
CARMEN ELLIOTT	9	1	CARMEN ELLIOTT	18	7
PAUL RYAN	10	9	PAUL RYAN	19	15
CHRIS CRAMMOND	10	5	CHRIS CRAMMOND	13	8
JANE OGG	10	9	JANE OGG	13	12
PETER HATHAWAY	10	9	PETER HATHAWAY	13	12

## Indemnification and insurance of directors and officers

During the year, a premium was paid in respect of a contract insuring Directors and Officers of the Bank against liability. The Officers of the Bank covered by the insurance contract include the Directors, Executive Officers, Secretary and Employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under, and the nature of liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the Auditors of the Bank.

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



A. E. Parle  
Director  
19/10/2021



B. Ashley  
Director  
19/10/2021

## Directors' Declaration

The directors of the company declare that:

1. 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  
(a) comply with the Accounting Standards and the Corporations Regulations 2001; and  
(b) give a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the year ended as at that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.
3. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



A. E. Parle  
Director  
19/10/2021



# MEET OUR EXECUTIVE TEAM

Our executive officers work incredibly hard to maintain and grow operations inside the business. This function has grown in the last year, leaving us with more tools to improve customer experiences and challenge old ways of doing things.

## Rodney Attrill, Chief Executive Officer

Rodney is an experienced Chief Executive Officer with a demonstrated history of working within large customer and member-based institutions. A strong business development professional with a Master of Business Administration, his focus has been in finance and financial management services, marketing, operational management and strategic human resources.

His key skillset is especially effective when it comes to change management, which requires strategic planning to ensure success. As such, Rodney is leading Woolworths Team Bank through a period of profound change and ensuring the organisation thrives in the future.



## Savinda Pathirana, Finance Manager

Savinda is an experienced Finance Manager with a demonstrated history of working in financial services and the retail industry. A CPA with a strong finance, accounting and information technology background having a Bachelor of Commerce from Deakin University and a Bachelor of Science Information Technology from Curtin University of Technology. He is a relied-on member of our team. He is also skilled in negotiation, business partnering, key account relationship building, and ERP systems.



## Josephine McCabe, Administration Manager

Josephine has been in banking for 36 years and is the Administration Manager at Woolworths Team Bank. She predominately looks after our Core Banking platform.

Josephine is one of our longest-serving staff members, and her institutional memory and knowledge of banking make her an invaluable asset.



## Stephen Cook, National Manager Sales and Service

Stephen has worked in frontline Retail Banking for more than 40 years, and has previously held senior management and executive positions at the Commonwealth Bank of Australia and Qantas Credit Union. With a passion for member service excellence, Stephen leads our Sales and Service teams.

Stephen has a Diploma in Management and a Leadership Coaching accreditation, as well as being a Justice of the Peace in NSW.



## Rajah Ramanathan, Chief Risk and Compliance Officer

Rajah has a BCom (Melb) degree and is a Chartered Accountant (Australia and New Zealand) and a Fellow of the Governance Institute and Financial Services Institute of Australasia.

He has been in banking for over 35 years and held several executive roles; including General Manager, Chief Operating Officer, Chief Financial Officer, Company Secretary and Chief Risk Officer within the retail banking and financial services industry. He has extensive experience in general management and administration, finance, accounting, company secretarial and corporate governance, risk management and compliance, auditing (both internal and external), financial performance and statutory reporting, strategic planning, policy and product development, project and business change management and fraud investigations.



## Alexander Rappel, Marketing Manager

Alexander is a Brisbane-based marketing professional with more than a decade of experience in financial services. His passion lies in creating great customer experiences for brands. Alexander has a Bachelor of Journalism from Queensland University of Technology, a certificate from the Association for Data-driven Marketing and Advertising, and multiple qualifications in digital marketing disciplines.

Better still, his career has seen him work for some of the biggest brands in the country, including Canstar and Compare the Market. He brings an extensive skillset to the Woolworths Team Bank executive team.



C H A P T E R S I X

# AUDITOR'S REPORT



## Auditor's Independence Declaration

### To the Directors of Woolworths Team Bank Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Woolworths Team Bank Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



Darren Scammell  
Partner – Audit & Assurance

Melbourne, 19 October 2021

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## Independent Auditor's Report

### To the Members of Woolworths Team Bank Limited

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Woolworths Team Bank Limited (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

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

##### Basis for opinion

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

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

#### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, 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, 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*. The Directors' responsibility also includes 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 have 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 at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



Darren Scammell  
Partner – Audit & Assurance

Melbourne, 19 October 2021





C H A P T E R S E V E N

# FINANCIAL STATEMENTS

# COMPLETE SET OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 (\$)	2020 (\$)
<b>STATEMENT OF PROFIT OR LOSS &amp; OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021</b>			
Interest revenue	2	<b>3,880,357</b>	4,517,398
Interest expense	2	<b>(830,290)</b>	(1,525,302)
Net interest income	2	<b>3,050,067</b>	2,992,096
Fees, commission and other income	2	<b>849,251</b>	808,852
<b>TOTAL NET OPERATING INCOME</b>		<b>3,899,318</b>	3,800,947
Bad and doubtful debts	2	<b>(11,348)</b>	34,506
Other expenses	2	<b>3,785,954</b>	3,673,005
<b>TOTAL NON-INTEREST EXPENSE</b>	2	<b>3,774,606</b>	3,707,511
Profit before income tax		<b>124,712</b>	93,437
Income tax expense	3	<b>(23,860)</b>	(17,117)
<b>PROFIT AFTER INCOME TAX</b>		<b>100,852</b>	76,320
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>100,852</b>	76,320
<b>STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021</b>			
<b>ASSETS</b>			
Cash	4	<b>11,690,881</b>	6,173,021
Investments at amortised cost	5	<b>23,595,577</b>	17,901,441
Receivables	6	<b>265,559</b>	702,819
Loans and advances	7	<b>99,984,435</b>	101,611,476
Other assets	11	<b>75,927</b>	101,532
Current tax assets	12	<b>37,000</b>	28,029
Plant and equipment	8	<b>110,205</b>	152,343
Intangible assets	9	<b>344,295</b>	401,378
<b>TOTAL ASSETS</b>		<b>136,103,879</b>	127,072,039
<b>LIABILITIES</b>			
Deposits	13	<b>123,703,991</b>	115,605,540
Payables and other liabilities	14	<b>886,566</b>	1,532,471
Due to other financial institutions	15	-	600,740
RBA Term Funding Facility	15	<b>2,033,702</b>	-
Deferred tax liabilities <sup>7</sup>	10	<b>90,876</b>	45,396
<b>TOTAL LIABILITIES</b>		<b>126,715,135</b>	117,784,147
<b>NET ASSETS</b>		<b>9,388,744</b>	9,287,892
<b>MEMBERS FUNDS</b>			
Retained earnings		<b>8,965,044</b>	8,862,241
General reserve for credit losses		<b>270,770</b>	276,091
Capital Profits Reserve		<b>152,930</b>	149,560
<b>TOTAL MEMBERS FUNDS</b>		<b>9,388,744</b>	9,287,892

These statements should be read in conjunction with the notes to the financial statements

	Note	2021 (\$)	2020 (\$)
<b>STATEMENT OF CASH FLOWS YEAR ENDED 30 JUNE 2021</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		<b>3,853,729</b>	4,542,456
Interest paid		<b>(1,017,242)</b>	(1,563,698)
Other non-interest income received		<b>816,071</b>	815,418
Bad debts recovered	2	<b>9,446</b>	6,426
Payments to suppliers		<b>(3,545,863)</b>	(3,573,517)
Income tax paid		<b>(37,000)</b>	(48,869)
Net (increase) in receivables from other financial institutions	5	<b>(5,694,136)</b>	(4,799,878)
Net decrease in loans and advances	7	<b>1,638,389</b>	5,870,653
Net increase in deposits	13	<b>8,098,451</b>	9,717,748
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	16	<b>4,121,845</b>	10,966,739
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of intangible assets		<b>(43,872)</b>	(179,717)
Acquisition of property, plant, and equipment	8	<b>(49,043)</b>	(25,028)
Proceeds from sale of property, plant, and equipment		<b>55,968</b>	-
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>		<b>(36,947)</b>	(204,745)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net decrease (increase) in wholesale deposits	15	<b>1,432,962</b>	(10,109,081)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>1,432,962</b>	(10,109,081)
<b>NET INCREASE IN CASH HELD</b>		<b>5,517,860</b>	652,914
Cash at beginning of year		<b>6,173,021</b>	5,520,107
<b>CASH AT END OF YEAR</b>	16	<b>11,690,881</b>	6,173,021

<b>STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021</b>				
	Retained Earnings (\$)	General Reserve for Credit Losses (\$)	Capital Profits Reserve (\$)	Total (\$)
Total at 1 July 2020	8,862,241	276,091	149,560	9,287,892
Total Comprehensive Income for the year	100,852			100,852
Transfer to / from Retained Earnings	5,321	(5,321)		-
Transfer to / from Capital Profits Reserve	(3,370)		3,370	-
<b>TOTAL AT 30 JUNE 2021</b>	<b>8,965,044</b>	<b>270,770</b>	<b>152,930</b>	<b>9,388,744</b>

<b>STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020</b>				
	Retained Earnings (\$)	General Reserve for Credit Losses (\$)	Capital Profits Reserve (\$)	Total (\$)
Total at 1 July 2019	8,778,624	292,168	140,780	9,211,572
Total Comprehensive Income for the year	76,320			76,320
Transfer to / from Retained Earnings	16,077	(16,077)		-
Transfer to / from Capital Profits Reserve	(8,780)		8,780	-
<b>TOTAL AT 30 JUNE 2020</b>	<b>8,862,241</b>	<b>276,091</b>	<b>149,560</b>	<b>9,287,892</b>

These statements should be read in conjunction with the notes to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 1. STATEMENT OF ACCOUNTING POLICIES

This complete set of financial statements is prepared for Woolworths Team Bank for the year ended 30 June 2021. The report was authorised for issue on 21 October 2021 in accordance with a resolution of the Board of Directors. The Bank is a public company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 522-550 Wellington Road, Mulgrave, Victoria 3170. The complete set of financial statements is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The Bank is a for-profit entity for the purpose of preparing the financial statements.

### (A) BASIS OF MEASUREMENT

The financial statements have been prepared on an accruals basis, and are based on historical cost. The accounting policies adopted are consistent with those of the previous year unless otherwise stated.

### (B) NEW STANDARDS APPLICABLE FOR THE CURRENT YEAR

The amended accounting standards and interpretations issued by the Australian Accounting Standards Board during the year that were mandatory were adopted. None of these amendments or interpretations materially affected any of the amounts recognised or disclosures in the current or prior year. The following IFRS Interpretations Committee (IFRIC) agenda decisions were adopted during the year.

#### IFRIC agenda decision on Software-as-a-Service (SaaS) arrangements.

The IFRIC has issued two final agenda decisions which impact SaaS arrangements:

- Customer's right to receive access to the supplier's software hosted on the cloud (March 2019) – this decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term.
- Configuration or customisation costs in a cloud computing arrangement (April 2021) – this decision discusses whether configuration or customisation expenditure relating to SaaS arrangements can be recognised as an intangible asset and if not, over what time period the expenditure is expensed.

The adoption of the above agenda decisions has not had a material impact on the Bank.

There have been no other new accounting standards which have become effective from 1 July 2020 that have a significant impact on the Bank's financial statements.

### (C) FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial

asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI)

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

#### (I) FINANCIAL ASSETS AT AMORTISED COST

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's cash and receivables fall into this category of financial instruments as well as bonds, NCDs, FRNs and term deposits.

#### (II) FINANCIAL ASSETS AT FVTPL

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The Bank does not have any financial assets in the categories of FVPL.

#### (III) FINANCIAL ASSETS AT FVOCI

The Bank does not have any equity investments measured at FVOCI.

#### (IV) CLASSIFICATION & SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

The Bank's financial liabilities include wholesale deposits, member deposits, other payables and liabilities. Financial liabilities are measured subsequently at amortised cost using the effective interest method.

### (D) LOANS TO MEMBERS

#### (I) BASIS OF RECOGNITION

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Bank at balance date, less any allowance or provision against impairment for debts considered doubtful.

## (II) INTEREST EARNED

Term loans – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Overdraft – interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Credit cards – the interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a members account on the 26th day of each month, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment.

Non-accrual loan interest – while still legally recoverable, interest is not brought to account as income where the Bank is informed that the member has deceased, or, where a loan is impaired.

## (III) LOAN ORIGATION FEES AND DISCOUNTS

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

## (IV) TRANSACTION COSTS

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

## (V) FEES ON LOANS

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

## (VI) NET GAINS AND LOSSES

Net gains and losses on loans to members to the extent that they arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

## (VII) COMISSIONS

Revenue for commissions from off balance sheet loans is recognised every 15<sup>th</sup> day of the month. Revenue from insurance commissions are recognised at the point of sale of the product.

## (E) LOAN IMPAIRMENT

The Bank uses more forward looking information to recognise expected credit losses - the 'expected credit loss model' (ECL). Instruments within the scope of the requirements include loans and advances and other debt-type financial assets measured at amortised cost, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- 'Stage 3' would cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

## MEASUREMENT OF ECL

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category. Measurement of the expected credit losses is determined by a probability weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

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

## CREDIT-IMPAIRED FINANCIAL ASSETS

At each reporting date, the Bank assesses whether financial assets carried at amortised cost 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 the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## **(F) BAD DEBTS WRITTEN OFF**

### **(DIRECT REDUCTION IN LOAN BALANCE)**

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in profit or loss.

## **(G) CASH AND LIQUID ASSETS**

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **(H) DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS**

Term deposits and negotiable certificates of deposit with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. Interest is recognised when earned. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

## **(I) EQUITY INVESTMENTS AND OTHER SECURITIES**

The Bank did not hold any equity investments during the reporting period.

## **(J) PLANT AND EQUIPMENT**

Plant and equipment are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Bank. The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives at reporting date are:-

Leasehold improvements: 7 years

Plant and equipment: 3 to 5 years

## **(K) INTANGIBLE ASSETS**

Items of computer software which are not integral to the computer hardware owned by the Bank are classified as intangible assets. Computer software is amortised over the expected useful life of the software. These lives range from 3 to 8 years.

## **(L) MEMBER SAVINGS**

### **(I) BASIS FOR MEASUREMENT**

Member savings and term investments are quoted at the aggregate amount payable to depositors as at the balance date.

### **(II) INTEREST PAYABLE**

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account, as varied from time to time. The amount of the accrual is shown as part of amounts payable.

## **(M) DUE TO OTHER FINANCIAL INSTITUTIONS**

Amounts due to other financial institutions are carried at the principal amount. Interest is charged as an expense as it accrues.

## **(N) ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Liabilities for trade creditors and accruals are recognised when the Bank becomes a party to the contractual provisions of the liability and are measured initially at fair value.

Trade creditors and accruals are measured subsequently at amortised cost using the effective interest method.

## **(O) EMPLOYEE ENTITLEMENTS**

Employee entitlements are not provided for on the Bank's statement of financial position. The Bank is charged a loading on salaries for employee entitlements by the host organisation, Woolworths Limited. Provision for employee entitlements are maintained by Woolworths Limited.

## **(P) INCOME TAX**

The income tax expense shown in profit or loss is based on the profit before income tax adjusted for any non tax deductible, or non-assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 26% (2020: 27.5%). Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation; and the anticipation the Bank will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a income tax benefit to be obtained.

## **(Q) GOODS AND SERVICES TAX**

As a financial institution the Bank is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input taxed credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). To the extent that the full amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO), 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 are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## **(R) IMPAIRMENT OF ASSETS**

At the reporting date the Bank assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

**(S) ACCOUNTING ESTIMATES AND JUDGEMENTS**

Management have made critical accounting estimates when applying the Bank's accounting policies with respect to the impairment provisions for loans. Note 7 elaborates further on the approach for impairment of loans.

**(T) NEW OR EMERGING STANDARDS NOT YET MANDATORY**

Certain standards have been issued by the Australian Accounting Standards Board that are not yet effective. The Bank has considered these accounting standards and determined that their impact on the Bank will be immaterial.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 2. OPERATING PROFIT

NET PROFIT BEFORE TAX HAS BEEN DETERMINED AFTER:	2021 (\$)	2020 (\$)
<b>INTEREST REVENUE</b>		
Loans and advances	3,683,567	4,285,329
Deposits with other financial institutions	196,790	232,069
	<b>3,880,357</b>	<b>4,517,398</b>
<b>INTEREST EXPENSE</b>		
Member deposits	830,290	1,448,106
Short term wholesale deposits	-	77,196
	<b>830,290</b>	<b>1,525,302</b>
<b>NET INTEREST INCOME</b>	<b>3,050,067</b>	<b>2,992,096</b>
<b>FEES, COMMISSION AND OTHER INCOME</b>		
The gain/(loss) on disposal of plant and equipment	23,734	(12,992)
Fees and commissions		
- fee income	255,382	283,980
- Insurance commissions	172,633	244,432
- commissions	376,046	234,192
Bad debts recovered	9,446	6,426
Other income	12,010	52,814
<b>FEES, COMMISSION AND OTHER INCOME</b>	<b>849,251</b>	<b>808,852</b>
<b>NON-INTEREST EXPENSE</b>		
Bad and doubtful debts	(11,348)	34,506
Amortisation - Software	105,594	87,740
Depreciation - Plant and equipment	54,307	77,660
General and administration		
- Personnel costs	1,835,839	1,764,929
- insurance costs	142,837	163,612
- Assurance costs	79,504	99,551
- Information Technology costs	732,850	791,300
- Other	835,023	688,214
<b>NON-INTEREST EXPENSE</b>	<b>3,774,606</b>	<b>3,707,511</b>
<b>PROFIT BEFORE TAX</b>	<b>124,712</b>	<b>93,437</b>

## 3. INCOME TAX

### THE PRIMA FACIE TAX ON PROFIT IS RECONCILED TO THE INCOME TAX EXPENSE AS FOLLOWS:

<b>PRIMA FACIE TAX ON PROFIT BEFORE TAX AT 26% (2020: 27.5%)</b>	<b>32,425</b>	<b>25,695</b>
<b>TAX EFFECT OF:</b>		
Non-deductible expenses	(278)	1,176
Change in tax rate	(2,476)	-
Other adjustments	(5,811)	(9,754)
<b>INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT</b>	<b>23,860</b>	<b>17,117</b>

The income tax expense comprises of amounts set aside for current year profits.

The franking account balance at year end, adjusted for income tax payable is	<b>2,493,717</b>	<b>2,507,434</b>
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#### 4. CASH

	2021 (\$)	2020 (\$)
Cash on hand	<b>193,351</b>	218,735
Cash at banks	<b>11,497,530</b>	5,954,286
	<b>11,690,881</b>	6,173,021

#### 5. INVESTMENTS AT AMORTISED COST

Bonds	<b>15,503,460</b>	10,815,116
Negotiable Certificates of Deposit	<b>1,999,665</b>	4,992,733
Term Deposits	<b>4,000,000</b>	-
CUSCAL Security Deposit	<b>2,092,452</b>	2,093,592
	<b>23,595,577</b>	17,901,441

#### 6. RECEIVABLES

Interest receivable	<b>50,760</b>	24,130
Other receivables	<b>214,799</b>	678,689
	<b>265,559</b>	702,819

All receivables are due within 12 months.

#### 7. LOANS AND ADVANCES

	Gross Carrying value 2021 \$	ECL Allowance 2021 \$	Carrying value 2021 \$	Gross Carrying value 2020 \$	ECL Allowance 2020 \$	Carrying value 2020 \$
Residential loans	<b>91,795,608</b>	-	<b>91,795,608</b>	92,978,321	-	92,978,321
Personal loans	<b>7,329,513</b>	<b>(65,134)</b>	<b>7,264,379</b>	7,773,029	{79,563}	7,693,466
Overdrafts and credit cards	<b>926,605</b>	<b>(2,157)</b>	<b>924,448</b>	955,946	(16,257)	939,689
Total	<b>100,051,726</b>	<b>(67,291)</b>	<b>99,984,435</b>	101,707,296	(95,820)	101,611,476

#### A) DIRECTORS AND DIRECTOR-RELATED ENTITIES

Loans to director-related entities	<b>2,118,103</b>	65,705
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#### B) MATURITY ANALYSIS

Overdrafts	<b>259,493</b>	221,913
Credit Card	<b>667,112</b>	734,033
Not longer than 3 months	<b>5,726</b>	5,806
Longer than 3 months and not longer than 12 months	<b>243,954</b>	205,032
Longer than 1 year and not longer than 5 years	<b>5,775,816</b>	6,053,607
Longer than 5 years	<b>93,099,625</b>	94,486,905
<b>TOTAL LOANS</b>	<b>100,051,726</b>	101,707,296

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 7. LOANS AND ADVANCES (CONTINUED)

C) CREDIT QUALITY - SECURITY HELD AGAINST LOANS	2021 (\$)	2020 (\$)
Secured by mortgage over real estate	<b>91,795,608</b>	92,978,321
Partially secured by goods mortgage	<b>6,464,810</b>	6,325,457
Wholly unsecured	<b>1,791,308</b>	2,403,518
	<b>100,051,726</b>	101,707,296

It is not practicable to value all collateral as at balance date due to the variety of assets and condition.

A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:-

### SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:-

- loan to valuation ratio of less than 80%	<b>80,598,065</b>	80,744,855
- loan to valuation ratio of more than 80% but mortgage insured	<b>11,197,543</b>	12,233,466
	<b>91,795,608</b>	92,978,321

Where the loan value is less than 80% there is a margin more than 20% to cover the costs of any sale, or potential value reduction.

### D) CONCENTRATION OF LOANS

Loans to members are predominantly to employees of Woolworths Group Limited and their families.

GEOGRAPHICAL CONCENTRATIONS - 2021	Housing (\$)	Other (\$)
Victoria	<b>49,755,262</b>	<b>2,796,364</b>
NSW	<b>34,023,505</b>	<b>3,633,080</b>
Tasmania	<b>1,953,736</b>	<b>149,684</b>
Queensland	<b>4,024,744</b>	<b>979,587</b>
Western Australia	<b>487,008</b>	<b>185,824</b>
South Australia	<b>1,215,377</b>	<b>261,128</b>
Australian Capital Territory	<b>88,658</b>	<b>20,726</b>
Northern Territory	<b>247,318</b>	<b>229,725</b>
	<b>91,795,608</b>	<b>8,256,118</b>

GEOGRAPHICAL CONCENTRATIONS - 2020	Housing (\$)	Other (\$)
Victoria	53,733,997	3,307,461
NSW	32,738,426	3,948,261
Tasmania	1,301,101	192,265
Queensland	3,020,385	828,515
Western Australia	190,999	118,101
South Australia	1,643,347	275,858
Australian Capital Territory	93,995	34,027
Northern Territory	256,072	24,487
	92,978,321	8,728,975

### (E) SECURITISED LOANS

The Bank acts as an agent for a securitisation entity to arrange and fund loans made directly by the securitisation entity. These loans do not qualify for recognition and are not recognised in the books of the Bank at any time. The value of securitised loans under management is set out in Note 22

### (F) TRANSFERS OF FINANCIAL ASSETS - OFF BALANCE SHEET LOANS

The Bank has an off balance sheet funding facility with Bendigo and Adelaide Bank. This facility replaces securitised loans facility funded through Integris. These loans do not qualify for recognition and are not recognised in the books of the Bank at any time. The value of off balance sheet loans under management is set out in Note 23.

## G) PROVISION FOR IMPAIRMENT

	Stage 1 12 month ECL 2021 (\$)	Stage 2 Lifetime ECL 2021 (\$)	Stage 3 Lifetime ECL 2021 (\$)	Overlays 2021 (\$)	Total 2021 (\$)	Total 2020 (\$)
Balance at 1 July per AASB 9	(17,291)	(6,994)	(46,074)	(25,461)	(95,820)	(73,536)
Changes in the loss allowance						
- Transfer to stage 1	1,025	-	-		1,025	576
- Transfer to stage 2	-	2,728	-	25,461	28,189	(6,630)
- Transfer to stage 3	-	-	(27,313)		(27,313)	(34,877)
- Net movement due to change in credit risk	-	-	-		-	-
- Write-offs	-	-	17,182		17,182	12,221
- Recoveries of amounts previously written off	-	-	9,446		9,446	6,426
Balance at 30 June	(16,266)	(4,266)	(46,759)	-	(67,291)	(95,820)

### Key assumptions in determining the provision for impairment:

The Bank has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment, the Bank is required to estimate the potential impairment using the length of time the loan in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment. A provision is allowed for specifically identified loans. The policy covering impaired loans and advances is set out in Note 1(E).

### Measurement of ECL

The key inputs into the measurement of ECL include the following variables:

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

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below.

PD estimates are calculated based on arrears over 90 days and other loans and facilities where the likelihood of future payments is low. The definition of default is consistent with the definition of default used for internal credit risk management and regulatory reporting purposes. Instruments which are 90 days past due are generally considered to be in default.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD percentage applied considers the structure of the loan, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, Loan to Value Ratios (LVR) are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.

Where appropriate, in calculating the ECL, future cash flows are discounted at the original effective interest rate of the exposure.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 7. LOANS AND ADVANCES (CONTINUED)

ANALYSIS OF LOANS IMPAIRED OR POTENTIALLY IMPAIRED BY CLASS	Value of impaired loans 2021 (\$)	Provision for impairment 2021 (\$)
Mortgage	185,345	-
Personal	64,228	65,134
Credit Card and Overdrafts	32,006	2,157
	<b>281,579</b>	<b>67,291</b>

ANALYSIS OF LOANS IMPAIRED OR POTENTIALLY IMPAIRED BY CLASS	Value of impaired loans 2020 (\$)	Provision for impairment 2020 (\$)
Mortgage	1,069,057	-
Personal	52,798	79,563
Credit Card and Overdrafts	46,448	16,257
	<b>1,168,303</b>	<b>95,820</b>

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or assets of varying value. It is not practicable to determine the fair value of all collateral as at balance date due to the variety of assets and condition.

The loans that are past due are not considered for impairment as they are well secured.

There were loans granted with temporary repayment deferrals according to APRA specifications which were impacted by COVID-19. There were no active deferred loan facilities remaining as at 30 June 2021.

## 8. PLANT AND EQUIPMENT

	2021 (\$)	2020 (\$)
<b>OFFICE EQUIPMENT</b>		
At cost	52,966	52,966
Provision for depreciation	(42,289)	(38,953)
	<b>10,677</b>	14,013
<b>EDP EQUIPMENT</b>		
At cost	208,545	195,789
Provision for depreciation	(143,227)	(108,780)
	<b>65,318</b>	87,009
<b>MOTOR VEHICLES</b>		
At cost	64,663	231,243
Provision for depreciation	(30,453)	(179,922)
	<b>34,210</b>	51,321
<b>TOTAL PLANT AND EQUIPMENT</b>	<b>110,205</b>	152,343
<b>TOTAL PLANT AND EQUIPMENT</b>		
Cost	326,174	479,998
Provision for depreciation and amortisation	(215,969)	(327,655)
Total written down amount	<b>110,205</b>	152,343
<b>MOVEMENT IN CARRYING AMOUNTS</b>		
<b>MOVEMENT IN CARRYING AMOUNTS – OFFICE EQUIPMENT</b>		
Balance at beginning of financial year	14,013	17,802
Additions	273	883
Depreciation expense	(3,609)	(4,673)
<b>CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>10,677</b>	14,013
<b>MOVEMENT IN CARRYING AMOUNTS – EDP EQUIPMENT</b>		
Balance at beginning of financial year	87,009	90,531
Additions	10,065	24,145
Depreciation expense	(31,756)	(27,666)
<b>CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>65,318</b>	87,009
<b>MOVEMENT IN CARRYING AMOUNTS – MOTOR VEHICLES</b>		
Balance at beginning of financial year	51,321	109,633
Additions	38,705	-
Depreciation expense	(18,942)	(45,321)
Disposals	(38,874)	(12,992)
<b>CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>34,210</b>	51,321
<b>MOVEMENT IN CARRYING AMOUNTS - TOTAL</b>		
Balance at beginning of financial year	152,343	217,966
Additions	49,043	25,028
Depreciation expense	(54,307)	(77,660)
Disposals	(36,874)	(12,992)
<b>CARRYING AMOUNT AT END OF FINANCIAL YEAR</b>	<b>110,205</b>	152,343

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 9. INTANGIBLE ASSETS

	2021 (\$)	2020 (\$)
Computer software	<b>813,907</b>	770,034
Less Provision for amortisation	<b>(469,612)</b>	(368,656)
	<b>344,295</b>	401,378

## 10. DEFERRED TAX ASSETS / (LIABILITIES)

DEFERRED TAX ASSETS / (LIABILITIES) COMPRISE TEMPORARY DIFFERENCES ATTRIBUTABLE TO:

Deferred tax assets		
Trade debtors	<b>17,496</b>	26,351
Trade creditors	<b>17,411</b>	15,012
Capitalised expenses	<b>8,887</b>	14,099
Tax losses	<b>26,079</b>	-
Deferred tax liabilities		
Prepayments	-	427
Depreciation and amortisation	<b>118,170</b>	55,395
Other assets	<b>42,579</b>	45,036
Deferred tax, net		
Deferred tax assets	<b>69,873</b>	55,462
Deferred tax liabilities	<b>(160,749)</b>	(100,858)
Deferred tax assets / (liabilities), net	<b>(90,876)</b>	(45,396)

## 11. OTHER ASSETS

Prepayments	<b>75,926</b>	101,532
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## 12. CURRENT TAX ASSETS

Current income tax receivable	<b>37,000</b>	28,029
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### 13. DEPOSITS

	2021 (\$)	2020 (\$)
Call deposits	<b>75,247,271</b>	64,184,465
Term deposits	<b>48,292,374</b>	51,254,946
Member withdrawable shares	<b>164,346</b>	166,129
	<b>123,703,991</b>	115,605,540

#### (A) MATURITY ANALYSIS

On call	<b>75,247,271</b>	64,184,465
Not longer than 3 months	<b>24,330,251</b>	31,928,861
Longer than 3 and not longer than 12 months	<b>23,813,079</b>	18,106,872
Longer than 1 and not longer than 5 years	<b>149,044</b>	1,219,213
No maturity specified	<b>164,346</b>	166,129
	<b>123,703,991</b>	115,605,540

#### (B) CONCENTRATION OF RISK

The Bank's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

Member deposits at balance date were received from individuals employed principally with Woolworths Group Limited.

#### GEOGRAPHICAL CONCENTRATIONS

Victoria	<b>84,228,009</b>	76,444,423
NSW	<b>31,734,023</b>	31,580,603
Tasmania	<b>1,288,513</b>	1,616,701
Queensland	<b>4,482,438</b>	4,323,897
Western Australia	<b>841,352</b>	732,737
South Australia	<b>574,331</b>	528,891
Australian Capital Territory	<b>307,102</b>	328,300
Northern Territory	<b>83,878</b>	49,987
	<b>123,539,645</b>	115,605,540



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 14. PAYABLES AND OTHER LIABILITIES

	2021 (\$)	2020 (\$)
Trade creditors	287,187	121,369
Accrued interest payable	179,803	366,754
Sundry creditors & other liabilities	419,576	1,044,348
	<b>886,566</b>	<b>1,532,471</b>

All accounts payable and other liabilities are due within 12 months.

## 15. DUE TO OTHER FINANCIAL INSTITUTIONS

Term deposits from other financial institutions and wholesale deposits	-	600,740
RBA Term Funding Facility	<b>2,033,702</b>	-

## 16. STATEMENT OF CASH FLOWS

### (A) RECONCILIATION OF THE OPERATING PROFIT AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

Operating profit after tax	<b>100,852</b>	76,320
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#### NON-CASH MOVEMENTS

Provision for impairment	<b>(11,348)</b>	34,506
Depreciation and amortisation	<b>159,901</b>	165,400
Net (gain)/loss on disposal of plant and equipment	<b>(23,734)</b>	12,992

#### CHANGES IN ASSETS AND LIABILITIES

Interest receivable	<b>(26,630)</b>	25,059
Trade creditors	<b>165,818</b>	(32,116)
Accrued interest payable	<b>(186,951)</b>	(38,396)
Tax receivable	<b>(8,971)</b>	(53,785)
Deferred tax liabilities	<b>45,480</b>	(17,649)
Prepayments	<b>25,606</b>	(33,795)
Deposits with other financial institutions	<b>(5,694,136)</b>	(4,799,878)
Loans and advances	<b>1,638,389</b>	5,910,334
Deposits	<b>8,098,451</b>	9,636,140
Other receivables	<b>463,888</b>	(324,304)
Sundry creditors and other liabilities	<b>(624,770)</b>	405,912

### NET CASH FLOWS FROM OPERATING ACTIVITIES

**4,121,845** 10,966,739

### (B) RECONCILIATION OF CASH

#### CASH BALANCE COMPRISES:

Cash	<b>193,351</b>	218,736
Bank	<b>11,497,530</b>	5,954,286

### CASH BALANCE AT END OF YEAR

**11,690,881** 6,173,021

## 16. STATEMENT OF CASH FLOWS (CONTINUED)

### (C) 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:

- (a) member deposits to and withdrawals from deposit accounts.
- (b) borrowings and repayments on loans and advances.

### (D) BANK OVERDRAFT FACILITY

The Bank has a bank overdraft facility available to the extent of \$400,000 (2020: \$400,000).

The facility is secured by a fixed and floating charge over the assets of the Bank.

## 17. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Bank enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members.

### CREDIT RELATED COMMITMENTS

Binding commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

	2021 (\$)	2020 (\$)
Approved but undrawn loans and credit limits	<b>1,020,387</b>	1,256,015
Loan redraw facilities available	<b>7,660,125</b>	7,165,889

### OTHER EXPENSE COMMITMENTS

Not later than 1 year	<b>225,120</b>	344,703
later than 1 year but not 2 years	<b>231,873</b>	225,125
Later than 2 years but not 5 years	<b>999,175</b>	970,094
Greater than 5 years	<b>134,403</b>	-
	<b>1,590,571</b>	1,539,922

### UNDRAWN LOAN FACILITIES

Loan facilities available to members for overdrafts and line of credit loans are as follows:-

Total value of facilities approved	<b>1,846,858</b>	1,847,801
Less amount advanced	<b>(926,605)</b>	(955,946)
<b>NET UNDRAWN VALUE</b>	<b>920,253</b>	891,855

### LIQUIDITY SUPPORT SCHEME

The Bank is a member of the Credit Union Financial Support Scheme Limited (CUFSS), a company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Bank is committed to maintaining 3.1% of total assets as deposits in its Austraclear account.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.1% of the participant's total assets. This amount represents the Bank's irrevocable commitment under the ISC. At balance date, there were no loans issued.

## 18. SUBSEQUENT EVENTS

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

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 19. AUDITORS' REMUNERATION

	2021 (\$)	2020 (\$)
Amounts received or due and receivable by the auditors of Woolworths Team Bank Limited		
Audit of the financial statements of the Bank - Grant Thornton	52,000	50,000
(Includes statutory audit, APRA audit and ASIC financial services licence audit)		
Taxation Services	10,000	10,000
	<b>62,000</b>	<b>60,000</b>

## 20. RELATED PARTY DISCLOSURES

### (A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director (whether executive or otherwise) of that entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Key management personnel has been taken to comprise the directors and 2 members of the executive management team responsible for the day to day financial and operational management of the Bank. The aggregate compensation of key management persons during the year was \$375,663 (2020: \$479,092) comprising wages, salaries, fringe benefits received, superannuation contributions, paid annual and sick leave and bonuses.

### (B) LOANS TO KEY MANAGEMENT PERSONNEL

The aggregate value of loans to key management personnel amounted to \$2,118,103 (2020: \$390,468). Loans to key management personnel are approved on the same terms and conditions, which are applied to members. There are no benefits or concessional terms and conditions applicable key management persons or their close family members. There are no loans, which are impaired in relation to key management persons. As at 30 June 2020, the bank had a loan receivable of \$385,622 from one key management personnel ceased employment with Bank during the year ended 30 June 2021 and therefore was not a related party or a key management personnel as at 30 June 2021. There were no adjustments to terms and conditions of the loan upon cessation of employment.

### (C) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Other transactions with related parties include deposits from key management personnel. The total value of savings and term deposits from key management personnel amounted to \$230,118 (2020: \$73,337). As at 30 June 2020, the bank had a deposit payable of \$39,103 to one key management personnel. The key management personnel ceased employment with the Bank during the year ended 30 June 2021 and therefore was not a related party or a key management personnel as at 30 June 2021.

### (D) THE FOLLOWING RELATED PARTY TRANSACTIONS OCCURRED DURING THE FINANCIAL YEAR:

(i) Transactions with other related parties

During the year 3 motor vehicles were sold to related parties for \$55,968.

(ii) Transactions with the directors of Woolworths Team Bank Limited

There were no transactions with directors at concessional interest rates.

(iii) Transactions with director-related entities

There were no transactions with director related entities at concessional interest rates.

## 21. OUTSOURCING ARRANGEMENTS

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

### (a) CUSCAL Limited

CUSCAL is an Authorised Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act 1959. This organisation:

(i) provides the licence rights to Visa Card in Australia and settlement with other institutions for ATM, Visa card and cheque transactions, direct entry transactions, as well as the production of Visa and Redicards for use by members;

(ii) This company operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM providers to the Bank's IT Systems.

(iii) provides treasury and money market facilities to the Bank.

### (b) Ultradata Australia Pty Ltd

Provides and maintains the application software utilised by the Bank.

### (c) Transaction Solutions Limited

This service provider operates the computer facility on behalf of the Bank in conjunction with other Credit Unions. The Bank has a management contract with the company to supply computer support staff and services to meet the day to day needs of the Bank and compliance with the relevant Prudential Standards.

## 22. SECURITISATION

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The Bank had an arrangement with Integris Securitisation Services Pty Ltd whereby it acted as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Bank also manages the loans portfolio on behalf of the trust, and bears no risk exposure in respect of these loans. The amount of securitised loans under management as at 30 June 2021 is \$21,094 (2020: \$16,961). The Bank has not funded any loans under this facility in 2020-2021.

## 23. TRANSFERS OF FINANCIAL ASSETS

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The Bank has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are with:-

- The Integris securitisation trust where the Bank acts as agent for the trust in arranging loans on behalf of Integris, and/or can transfer the contractual rights to the trust of pre-existing loans at market value; and
- Bendigo and Adelaide Bank (Bendigo) where the Bank has arrangements where it can transfer the contractual rights to Bendigo of pre-existing loans at market value.

Only residential mortgage-backed securities (RMBS) that meet specified criteria, are eligible to be transferred in each of the above situations.

### **Securitised loans not on the balance sheet - Derecognised in their entirety**

The values of securitised loans which are qualifying for de-recognition arising from transfer of interest in the loans, as the conditions do not meet the criteria in the accounting standards. In each case the loans are variable interest rate loans, hence the book value of the loans transferred equates to the fair value of those loans.

The associated liabilities are equivalent to the book value of the loans reported.

### **Integris Securitisation Services Pty Ltd**

The Integris securitisation trust is an independent securitisation vehicle established by the peak Credit Union body Cuscal. The Bank has an arrangement with Integris Securitisation Services Pty Ltd whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Bank also manages the loans portfolio on behalf of the trust. The Bank bears no risk exposure in respect of these loans. The Bank receives a management fee to recover the costs of administration of the processing of the loan repayments and the issue of statements to the members.

The Bank does not have any obligations in connection with performance or impairment guarantees or call options to repurchase the loans. Refer to the Bendigo and Adelaide Bank lending facility below.

### **Bendigo and Adelaide Bank non-securitisation lending facility**

As the Integris Securitisation program through Cuscal was discontinued in February 2014, the Bank as well as a number of other participating Credit Unions, as a consequence and as an alternative, entered into an APRA approved Receivables Acquisition and Servicing Agreement with the Bendigo and Adelaide Bank (Bendigo). This off - Balance Sheet loan funding facility is designed to cater for larger loans and/or high loan demand that on-Balance Sheet liquidity cannot readily address. Under this arrangement the Bank will assign mortgage secured loans to Bendigo at the book value of the loans, subject to acceptable documentation criteria with a complete absence of any securitisation vehicle and/or securitisation related matters.

The Bank will contract directly with Bendigo and will be responsible for ensuring the funding program is suitable for the organisation as well as its ongoing availability and administration.

The loans transferred qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and there are no residual benefits to the Bank. The Bank receives a management fee to recover the costs of ongoing administration for processing of the loan repayments and the issue of statements to the members.

The amount of loans under management through this facility as at 30 June 2021 is \$23,872,481 (2020: \$22,753,285).

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 24. FINANCIAL INSTRUMENTS

### (A) NET FAIR VALUES

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	TOTAL CARRYING AMOUNT AS PER STATEMENT OF FINANCIAL POSITION		AGGREGATE NET FAIR VALUE	
	2021 (\$)	2020 (\$)	2021 (\$)	2020 (\$)
<i>FINANCIAL ASSETS</i>				
Cash and liquid assets	<b>11,690,881</b>	6,172,592	<b>11,690,881</b>	6,172,592
Investments at amortised cost	<b>23,595,577</b>	17,901,870	<b>23,595,577</b>	17,901,870
Loans and advances	<b>99,984,435</b>	101,611,476	<b>99,984,435</b>	101,611,476
Receivables	<b>265,559</b>	702,819	<b>265,559</b>	702,819
Total financial assets	<b>135,536,452</b>	126,388,757	<b>135,536,452</b>	126,388,757
<i>FINANCIAL LIABILITIES</i>				
Deposits	<b>123,703,991</b>	115,605,540	<b>123,703,991</b>	115,605,540
Term deposits from other financial institutions and wholesale borrowings	<b>2,033,702</b>	600,740	<b>2,033,702</b>	600,740
Trade creditors	<b>886,566</b>	1,532,471	<b>886,566</b>	1,532,471
Total financial liabilities	<b>126,624,259</b>	117,738,751	<b>126,624,259</b>	117,738,751

### THE FOLLOWING METHODS AND ASSUMPTIONS ARE USED TO DETERMINE THE NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

#### RECOGNISED FINANCIAL INSTRUMENTS

Cash and liquid assets and due from other financial institutions: The carrying amounts approximate fair value because of their short-term to maturity or are receivable on demand.

Investments: The redemption value of term deposits at balance date approximates fair value as current rates reflect market interest rates. These investments are intended to be held until maturity.

Trade payables and due to other financial institutions: The carrying amount approximates fair value, as they are short term in nature.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Loan and advances: The fair values of variable rate loans receivable including impaired loans reflect the current market interest rates, are estimated at their carrying value.

Deposits: The carrying amounts approximates amortised cost.

Other financial liabilities: This includes interest payable and expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

All classes of financial assets and financial liabilities are held at amortised cost.

### (B) CREDIT RISK EXPOSURES

The Bank's maximum exposures\* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

#### CONCENTRATIONS OF CREDIT RISK

The Bank minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified category. All members are concentrated in Australia.

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all members; and
- credit insurance is obtained for high-risk members.

\* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.



## 24. FINANCIAL INSTRUMENTS (CONTINUED)

### (C) INTEREST RATE RISK

The Bank's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

FINANCIAL INSTRUMENTS	Floating interest rate	0-3 Months		4-12 Months		Over 1 to 5 years		Over 5 years		Non-interest bearing	Total	Weighted average effective interest rate				
		2021	2020	2021	2020	2021	2020	2021	2020							
Fixed interest rate maturing in:																
\$' 000												%				
FINANCIAL ASSETS																
Cash and liquid assets	13,498	5,954	-	-	-	-	-	-	-	193	219	13,691	6,173	0	0	
Investments at amortised cost	-	-	18,483	2,994	-	4,092	1,110	6,813	4,002	-	-	23,595	17,901	0.56	0.92	
Loans and advances	100,051	101,707	-	-	-	-	-	-	-	-	-	100,051	101,707	3.5	3.87	
Receivables	-	-	51	24	-	-	-	-	-	215	678	266	702	N/A	N/A	
TOTAL FINANCIAL ASSETS	113,549	107,661	18,534	3,018	-	4,092	1,110	6,813	-	-	408	897	137,603	126,483	-	-
FINANCIAL LIABILITIES																
Deposits	87,098	64,018	12,479	31,929	23,813	18,107	149	1,219	-	-	164	166	123,703	115,439	0.46	1.04
Due to other financial institutions	-	-	-	600	-	-	2,034	-	-	-	-	-	2,034	600	0.1	0.75
Trade creditors	-	-	-	-	-	-	-	-	-	-	887	1,532	887	1,532	N/A	N/A
TOTAL FINANCIAL LIABILITIES	87,098	64,018	12,479	32,529	23,813	18,107	2,183	1,219	-	-	1,051	1,698	126,624	117,571	-	-

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly these values will not agree to the statement of financial position.

2021	Book value	Up to 1 month	1- 3 Months	3-12 months	1- 5 Years	After 5 years	No maturity	Total cash flows
<i>FINANCIAL ASSETS</i>	\$	\$	\$	\$	\$	\$	\$	\$
Cash	11,690,881	-	-	-	-	-	-	11,690,881
Liquid Investments	23,595,577	3,005,590	3,002,005	1,408,455	12,675,472	4,850,714	-	24,942,237
Loans & advances	99,984,435	899,637	1,753,031	8,222,439	33,010,854	117,528,826	-	161,414,786
Receivables	214,799	-	-	-	-	-	214,799	214,799
Total financial assets	135,485,692	3,905,227	4,755,037	9,630,894	45,686,326	122,379,539	214,799	198,262,703

### FINANCIAL LIABILITIES

Due to other financial institutions	2,033,702	-	-	-	2,039,776	-	-	2,039,776
Creditors	287,187	-	-	-	-	-	287,187	287,187
Deposits from members – at call	75,411,617	75,247,271	-	-	-	-	164,346	75,411,617
Deposits from members – term	48,292,374	11,904,840	12,527,371	23,910,255	149,747	-	-	48,492,212
Total financial liabilities	126,024,880	87,152,110	12,527,371	23,910,255	2,189,523	0	451,533	126,230,791

2020	Book value	Up to 1 month	1- 3 Months	3-12 months	1- 5 Years	After 5 years	No maturity	Total cash flows
<i>FINANCIAL ASSETS</i>	\$	\$	\$	\$	\$	\$	\$	\$
Cash	6,173,021	-	-	-	-	-	-	6,173,021
Liquid Investments	17,901,441	3,000,000	2,000,000	6,465,014	2,964,349	4,840,746	-	19,270,109
Loans & advances	101,611,476	926,102	1,715,720	8,615,233	34,682,600	126,202,909	-	172,142,564
Receivables	678,689	-	-	-	-	-	678,689	678,689
Total financial assets	126,364,627	3,926,102	3,715,720	15,080,247	37,646,949	131,043,655	678,689	198,264,383

### FINANCIAL LIABILITIES

Due to other financial institutions	600,740	601,110	-	-	-	-	-	601,110
Creditors	121,369	-	-	-	-	-	121,369	121,369
Deposits from members – at call	64,350,594	64,184,465	-	-	-	-	166,129	64,350,594
Deposits from members – term	51,254,946	13,323,557	18,899,126	18,262,750	1,230,313	-	-	51,715,746
Total financial liabilities	116,327,649	78,109,132	18,899,126	18,262,750	1,230,313	-	287,498	116,788,819

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Bank. The Bank's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Board Audit Committee which are integral to the management of risk.

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

**Board Audit Committee:** Assists the Board by providing an objective non-executive review of the effectiveness of the Bank's financial reporting and internal controls. The Board Audit Committee receives internal audit reports on assessment and compliance with the controls.

**Board Risk Committee:** Assists the Board by providing an objective non-executive oversight of the implementation and operation of the Bank's risk management framework. The Board Risk Committee also considers and confirms that the significant risks are to be assessed within the internal audit plan.

**Management:** This group is responsible for implementing risk management policies and controls and liaising with the Board Audit Committee, Board Risk Committee and Internal Audit.

**Internal Audit:** Provides internal audit reports to the Board Audit Committee and has the responsibility for reviewing the operational function, testing and assessing controls. Key risk management policies encompassed in the overall risk management framework include:-

- Market risk
- Liquidity
- Credit risk management
- Operations risk management including data risk management

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

### A. MARKET RISK

The objective of the Bank's market risk management is to manage and control market risk exposures in order to optimise risk and return. Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the Bank's financial condition or results. The Bank is not exposed to currency risk, and other price risk. Financial instruments held by the Bank are not traded. The Bank is exposed to interest rate risk arising from changes in market interest rates. Net interest rate gaps between assets and liabilities are maintained by offering variable interest rate products. Term deposits are the only fixed interest rate products the Bank offers on statement of financial position. The Bank manages its interest rate risk by the use of interest rate sensitivity analysis.

### B. LIQUIDITY RISK

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

The Bank manages liquidity risk by:

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

The Bank has a longstanding arrangement with the industry liquidity support scheme with Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Bank should it be necessary at short notice. The Bank is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Bank policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the Management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits and/or borrowing facilities available.

### C. CREDIT RISK

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

#### (I) CREDIT RISK – LOANS

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

The Bank has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment, security requirements;
- Limits of acceptable exposure over the value to individual borrowers considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures; and
- Review of compliance with the above policies;

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

### PAST DUE AND IMPAIRED

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Bank that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans are over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, is recognised in the statement of comprehensive income.

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the Bank's loan portfolio from homogenous portfolios of assets and individually identified loans.

### BAD DEBTS

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

For secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

### COLLATERAL SECURING LOANS

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Bank is exposed to risks in the reduction the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

### CONCENTRATION RISK – INDIVIDUALS

Concentration risk is a measurement of the Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank's regulatory capital (10%), a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base. The Bank's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) up to least 80% and bi-annual reviews of compliance with this policy are conducted.

### CONCENTRATION RISK – INDUSTRY

The Bank has a concentration in retail lending for members who comprise employees and family of Woolworths Ltd. This concentration is considered acceptable on the basis that the Bank was formed to service these members, and the employment concentration is not exclusive. Should members leave Woolworths Ltd, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

### (II) CREDIT RISK – LIQUID INVESTMENTS

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Bank incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Bank.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 30% of total liabilities less capital can be invested with any one financial institution at a time, as long as they do not exceed 50% of the capital base as required by APRA prudential standard APS 221.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on one financial institution.

Under the liquidity support scheme at least 3.1% of the total assets must be invested in the Bank's Austraclear account, to allow the scheme to have adequate resources to meet its obligations if needed.

### EXTERNAL CREDIT ASSESSMENT FOR INSTITUTION INVESTMENTS

The Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Standard APS 112. The credit quality assessment scale within this standard has been complied with.

### D. OPERATIONAL RISK

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

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

- the 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 behavior;
- implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Bank promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

### FRAUD

Fraud can arise from member card PINS, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. The Bank has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Bank.

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### IT SYSTEMS

The worst case scenario would be the failure of the Bank's core banking and IT network suppliers, to meet customer obligations and service requirements. The Bank has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of credit unions. This organisation has the experience in-house to manage any short term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Bank by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and BPAY etc. A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

### E. CAPITAL MANAGEMENT

The capital levels are prescribed by APRA. Under the APRA prudential standards capital is determined in three components:

- Credit risk
- Market risk (trading Book)
- Operations risk.

The market risk component is not required as the Bank is not engaged in a trading book for financial instruments.

### CAPITAL RESOURCES

#### TIER 1 CAPITAL

The vast majority of Tier 1 capital comprises retained earnings.

#### TIER 2 CAPITAL

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.
- A subordinated loan remitted from the Bank's ultimate parent. The principal amount has been amortised on a straight line basis over the last 5 years to maturity of the loan in accordance with the requirements of APRA Prudential Standard APS 111.
- A general reserve for credit losses.

<b>TIER 1 COMMON EQUITY</b>	<b>2021 (\$)</b>	<b>2020 (\$)</b>
Retained earnings	<b>9,117,974</b>	9,011,801
Less prescribed deductions	<b>(344,295)</b>	(401,378)
<b>NET TIER 1 COMMON EQUITY</b>	<b>8,773,678</b>	8,610,423
<b>TIER 1 ADDITIONAL EQUITY</b>	-	-
<b>NET TIER 1 CAPITAL</b>	<b>8,773,678</b>	8,610,423

<b>TIER 2</b>		
Reserve for credit losses	<b>270,770</b>	276,091
Less prescribed deductions	-	-
<b>NET TIER 2 CAPITAL</b>	<b>270,770</b>	276,091
<b>TOTAL CAPITAL</b>	<b>9,044,448</b>	8,886,514

The risk weights attached to each asset are based on the weights prescribed by APRA in its Prudential Standard APS 112. The general rules apply the risk weights according to the level of underlying security.



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

## 26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	Risk Weighting	Carrying value	Risk weighted value	Carrying value	Risk weighted value
		2021 (\$)	2021 (\$)	2020 (\$)	2020 (\$)
Cash	0%	193,351	-	218,736	-
Government Bonds	0%	9,106,605	-	4,009,576	-
Deposits in highly rated ADI's	20%	15,503,354	3,100,671	5,954,477	1,190,895
Deposits in highly rated ADI's	50%	2,092,452	1,046,226	2,093,592	1,046,796
Negotiable certificates of deposit	20%	1,999,643	399,928	4,997,723	999,545
Bonds	20%	6,441,815	1,288,363	5,819,496	1,163,899
Bonds	50%	-	-	1,004,992	502,496
Standard loans secured against eligible residential mortgages up to 80% LVR, no mortgage insurance	35%	75,891,935	26,562,176	75,826,635	26,539,322
Standard Loans secured against eligible residential mortgages up to 90% LVR, with mortgage insurance	35%	10,294,062	3,602,922	9,308,086	3,257,830
Standard Loans secured against eligible residential mortgages greater than 90% LVR, with mortgage insurance	50%	5,609,611	2,804,806	7,843,601	3,921,800
Other assets	100%	8,589,758	8,589,758	9,565,718	9,565,718
<b>TOTAL</b>		<b>135,722,585</b>	<b>47,394,850</b>	<b>126,642,631</b>	<b>48,188,302</b>

The capital ratio as at the end of the financial year over the past 2 years is as follows

2021	2020
15.76%	15.37%

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. To manage the Bank's capital the Bank reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board and the regulator if the capital ratio falls below a minimum level determined by the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Further a 2 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

### PILLAR 2 CAPITAL ON OPERATIONAL RISK

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed. The Bank uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the Bank's three year average net interest income and net non-interest income to the Bank's various business lines.

Based on this approach, the Bank's operational risk requirement is as follows:

- Operational risk capital \$8,260,980 (2020 \$7,889,800)

It is considered that the Standardised approach accurately reflects the Bank's operational risk

### INTERNAL CAPITAL ADEQUACY MANAGEMENT

The Bank manages its internal capital levels for both current and future activities through the Audit Committee. The outputs are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Bank's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then updates the forecast capital resources models and the impact upon the overall capital position of the Bank is reassessed. In relation to the operational risks, the major measurements for additional capital is strategic risk, which concerns the risk to the viability of the Bank from unexpected adverse changes in the business environment.

## 27. CORPORATE INFORMATION

Woolworths Team Bank Limited is a public company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office is:

522 - 550 Wellington Road, Mulgrave VIC 3170

The address of the principal place of business is:

522 - 550 Wellington Road, Mulgrave VIC 3170

The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the Bank.

Peter Challis, Anne Westbury & Ian Agnew



Colin Perkins instructing, 1990s



Mulgave Group, 1990s





Woolworths Team Bank Limited

ABN: 67 087 651 803

522-550 Wellington Road, Mulgrave, Victoria 3170

1 Woolworths Way, Bella Vista, New South Wales 2153

**1300 665 553**

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