ANNUAL REPORT 2013

Building and Delivering

cua®

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Building and » Delivering

Registered Office
Credit Union Australia Limited
ABN 44 087 650 959
AFSL and Australian credit licence 238317
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Brisbane QLD 4000
Phone: 133 282

Hub Offices

Brisbane
145 Ann Street
Brisbane QLD 4000
GPO Box 100
Brisbane QLD 4001

Melbourne
535 Bourke Street
Melbourne VIC 3000
GPO Box 2612
Melbourne VIC 8060

Sydney
309 George Street
Sydney NSW 2000
GPO Box 7013
Sydney NSW 2001

Branches
With over 60 branches across Australia, there is sure to be one near you. Visit www.cua.com.au to find your nearest CUA branch.

Subsidiary Companies
CUA Financial Planning Pty Ltd
ABN 60 010 003 853

CUA Health Limited
ABN 98 098 685 459

Credicorp Finance Pty Ltd
ABN 79 010 052 981

Credicorp Insurance Pty Ltd
ABN 50 069 196 756

Affiliations
COBA - Australian Mutuals
Credit Union Foundation Australia
World Council of Credit Unions

HIGHLIGHTS

FINANCIAL HIGHLIGHTS

- Reportable net profit after tax increased by 12.7% to $57.485 million
- Underlying net profit after tax increased by 7.8% to $51.918 million
- Consolidated assets increased to $9.958 billion
- Loans settled increased by 21.8% ($332 million) to $1.855 billion
- Deposits increased by 4.5% to $6.553 billion
- Capital adequacy increased to 14.95%

CUA is adapting to and challenging the established order in financial services...

A.E. Beanland - Chairman

KEY INITIATIVES AND ACHIEVEMENTS DURING THE 2013 FINANCIAL YEAR

- CUA received 'Innovative Mortgage Product of the Year' for CUA Rate Breaker Package and 'Credit Union of the Year' at the 2013 AB+F Awards.
- At the 2013 Australian Lending Awards, CUA received 'Best Innovator' – for CUA Rate Breaker Package – and 'Best Mutual'.
- Successful relocation of head office in Brisbane to energy-efficient and staff-friendly premises in CBD.
- CUA's social media presence grew considerably – people can connect with CUA on Facebook, Twitter, LinkedIn, YouTube and Google+. CUA currently ranks 56th on the Financial Brand's 'Global Social Media Power 100' for banks and credit unions, and fourth for the top 100 Credit Unions.
- CUA's new core banking system progressed to full scale system and user testing in readiness for implementation in FY14.
- CUA was recognised as an Employer of Choice for Women by Workplace Gender Equality Agency (WEGA) for the eighth year running. This was great public acknowledgement for our commitment to pursuing equality for women in the workplace.
- CUA's mobile banking app now achieving an average of 168,000 logins per week, representing around 48% of all online transactions.
- Second year of CUA Community Care – CUA's school grant program – delivered $80,000 in prizes to school projects, with winners determined by community voting.
- New customer segment focused strategy was launched to staff during the year and has been embedded in our marketing campaigns.
- CUA successfully undertook a major securitisation as part of its loan funding program.

CHAIRMAN'S REPORT ›

A.E. Beanland - Chairman

Building and Delivering

Another year and another excellent result for CUA in conditions that have been a challenge for business generally. While our CEO will be putting some context around the results I have conveyed the main points below. I will also be taking this opportunity to make clear to members and customers how CUA is adapting to and challenging the established order in financial services. This will provide the background to our exceptional performance relative to the industry.

THE YEAR IN REVIEW ›

We have once again achieved a sound financial result in difficult and variable trading conditions, indeed conditions that were generationally extreme. On the one hand we had credit growth at a 30-year low with correspondingly intense competition for business from lenders. That this has corresponded with domestic interest rates at a 53-year record low is an indication of unique economic conditions. Fortunately the year ended with a stronger housing market and hopes that this will be carried into 2013-14. Of course, unpredictable economic conditions sharpen the need for corporations to innovate and adapt and I am confident these attributes apply to the CUA of today.

The headline profit and product performance figures have been strong. The consolidated reportable net profit after tax was $57.49 million, up from $50.99 million for the previous year (12.7% increase), and a record profit for CUA. The consolidated underlying net profit after tax was $51.92 million, up from $48.14 million for 2012 (7.8%). The profit result is particularly pleasing in view of the cost impact of earlier staff increases resulting from CUA's focus on investing for the future. Of course, the importance of the profit figure lies not in making a profit to benefit shareholders as in the commercial bank model, but rather that the after-tax profit is added into retained earnings and becomes available to grow the business. As a mutual CUA has only limited options available to it to meet the prudential capital benchmarks required by our regulators. I have elaborated on this further below.

Looking at the principal product performance results, loans settled rose to $1.86 billion, a 21.8% increase on 2012. Included within this was a record year for mortgages. The loans portfolio balance grew by 5.9% to $8.57 billion. CUA continued to increase its household deposits in an extremely competitive marketplace, growing 4.5% year on year to $6.55 billion. The competition in deposits reflected the impact of the Basel III capital instruments. As a result, many financial services players endeavoured to attract high quality local deposits to reduce their demand for off-shore financing. This trend has since moderated.

Consolidated assets continued their steady rise of recent years and stood at a record $9.96 billion at 30 June 2013. That CUA will achieve $10 billion in consolidated assets during 2013-14 will be a considerable achievement - a watershed moment for CUA, but also for the mutual sector as a whole.

The Board has consistently taken a conservative approach to the issue of capital adequacy, insisting on a substantial buffer above the requirements of our regulators. I was pleased to see CUA finish 2013 with a strong capital adequacy outcome of 14.95%, up from 14.71% for the previous year. Nevertheless, the regulatory changes previously mentioned have sharpened the urgency for the mutual sector to be provided with competitive options in terms of capital instruments. As the year ended we were increasingly optimistic that such options would be provided.

To sum up the year, CUA's performance was, by any measure, impressive. Our customers can take comfort that CUA's competitive abilities are demonstrably strong and that it continues to manage its capital adequacy and liquidity outcomes prudently. Together we can be proud that CUA is increasingly positioned as a leading, strong and secure player in financial services.

AHEAD OF THE GAME ›

The growth imperative is as much an issue for CUA as any other player in financial services. To continually improve its services and products and to remain competitive on pricing CUA needs to grow its profits, its reserves, indeed all aspects of its business.

As I foreshadowed last year, the Board is proud to have settled on a plausible and exciting strategy for CUA into the future. As a result of a great deal of research and analysis we are confident that we know where we are going, who we need to appeal to in order to get there, what these customers want, and how we can meet their needs. Through this research CUA has identified a significant segment of the Australian population, representing some 19%, which has values that align with CUA's and which is looking for an alternative mortgage provider to the large banks. This segment has a strong demand for financial services, particularly mortgages, and looks for value and service; attributes that define CUA's purpose and reputation.

I am frequently asked why we are driving CUA on this journey. The motivation can be found in the modern concept of hypercompetition. By this I mean a situation in which there is very strong competition, markets change very quickly, and barriers to new entrants are low. Consequently, it is not possible for one company to maintain a long-term competitive advantage. Technological innovations are acting to sharpen this situation by ensuring products and strategies are highly imitable. Standing still is effectively going backwards. This is very much the world of financial services in Australia in 2013. CUA must innovate and adapt in a changing banking environment and, importantly, to make a difference it must also stay ahead of the game. The Board is confident it is doing so. This year's outcome has demonstrated that our rhetoric on change and investment over the last several years is being translated into action and action into results - we are starting to deliver.

The Board's intention is to grow and leverage CUA's strengths in flexibility, innovativeness and service, coupled with its mutual heritage, to develop the business into a genuine competitor to the established banks. We believe CUA is increasingly in a competitive space. This is not an idle statement, it is backed by results. CUA's innovative products, lead by its award-winning Rate Breaker Package home loan, have fuelled its home loan growth over the last 12 months considerably in excess of the yearly growth for the industry i.e. CUA is increasing its market share at the expense of other lenders. Of course, the awards did not stop with the Rate Breaker Package home loan. CUA received the Australian Banking & Finance award for Credit Union of the Year and was a finalist in the category of Best Financial Institution of the Year - Non Major Banks. Recognition from our peers of CUA's innovation and competitiveness.

> *CUA received the Australian Banking & Finance award for Credit Union of the Year...*

BOARD CHANGES ›

Last year I emphasised the Board's policy of blending continuity with the need for regular infusions of new Directors with relevant skills and requisite experience. During the last 12 months we saw this policy in action with the retirement of a long serving Director in Chris Franks and the appointment of Michael Pratt. We are fortunate that Chris' expertise and experience has remained available to us through her position as Chair of Credicorp Insurance, a subsidiary of CUA. Michael Pratt has had an extensive career in banking and wealth management throughout Australia, New Zealand and Asia. Most recently, he was CEO of Consumer and SME Banking, North East Asia with Standard Chartered Bank based in Shanghai. Michael has also held senior corporate roles at NAB, Westpac and BNZ. Michael's appointment is a real asset to the Board.

LOOKING FORWARD ›

The one certainty we can envisage for 2014 is more of the same - change, investment and a constant search for competitiveness. The considerable workload on the organisation and the Board will not lessen. At the same time, CUA's journey to becoming a compelling alternative to the listed banks will reach several milestones during the year - a new core banking system will come on stream which will enable CUA to offer more flexible and innovative products and services and ultimately lift our competitive abilities, and CUA will reach $10 billion in consolidated assets.

On the other side of the ledger we can already foresee pressures on CUA's results for 2014 resulting from a combination of intense competition, the drag of significant investment costs and a still recovering property market, particularly in Queensland.

In closing I would like to record my own, and the Board's, appreciation for the efforts of the Executive team and all staff during the year. The results of this effort speak for themselves and I am sure all staff take pride in being part of CUA's journey.

CEO'S REPORT ›

C.M. Whitehead - Chief Executive Officer

Building and Delivering

In last year's report I drew the analogy that we were seeing light at the end of the tunnel in terms of CUA's change journey and the outcomes we were looking for. I did also acknowledge that there was more change ahead, and this indeed has proved to be the case. While I will be reporting on the further changes implemented this year, I would like to commence by examining our performance in some detail.

STARTING TO DELIVER - BUSINESS OUTCOMES ›

Although our Chairman has reported on the major financial outcomes for the business I consider that some operational context around these results may be useful. While most parts of the business performed well I would like to concentrate on our lending performance as this was a standout in a challenging year for the economy as a whole.

CUA enjoyed a very strong year in lending with lending issues for the year totalling $1.855 billion, including housing (owner occupier and investor), small business and personal lending issues. This includes $1.671 billion in housing issues, which is a record for CUA, surpassing our previous best year in 2010-11 and representing a significant advance on system growth. Our above-market lending growth across the year was driven in large part by the continued success of the Rate Breaker Package Home Loan (launched in late May 2012) and our investment in our various distribution channels including broker, digital, CUA Direct and our branch network.

It is particularly pleasing to achieve a record year for housing issues and grow our housing lending balances in what continues to be a historic low growth environment - market housing credit growth as tracked by the Reserve Bank is at its lowest in over 35 years. The efforts of all staff in achieving this record outcome are appreciated.

We did see a small reduction in member numbers during the year. With lower funding demands we took a decision to hold back our deposit growth, conscious that this would impact on member numbers.

CUSTOMER EXPERIENCE ›

Smaller lenders like CUA need to ensure that they operate the most efficient model possible. This means that our distribution channels must provide customers with the right experience and, importantly, be in the right places. In addition, technology is bringing fundamental changes in how our customers wish to interact with us. CUA needs to adapt and change in line with this in order to stay relevant in an extremely competitive environment.

Over the past year we made two announcements to the effect that CUA was either consolidating or closing a number of our branches. These decisions are never easy and were not taken lightly. We are always conscious of the potential effect on our customers and staff. While difficult, the decisions were essential to ensure that we are well positioned to provide the most efficient and effective service to our customers into the future.

We anticipated that there would be limited impact on our customers in the affected areas as, in most cases, we were able to ensure that our customers were given other branch options in close proximity to their existing branch. In addition, further support and service was available to members via alternative channels.

Looking ahead, as we have with our new concept branches at Carindale, Epping and Bundoora, we will continue to invest in this important distribution channel and make further changes, as necessary, to our branch footprint to ensure we can offer our customers the experience that best suits their needs.

Of course, the digital experience is increasingly coming to define the quality and quantity of customer interactions. Customers are increasingly using multi-channels and multi-devices - the path to purchase in financial services is changing, with increasing use of mobile, tablet and desktop and then a subsequent interaction with physical channels (branch/phone). We are focusing on developing interfaces and customer apps to make sure we can provide the best customer experience across this journey by building online sales and service models to service this. CUA also had a presence in key social media channels – Facebook, Twitter, Google+, YouTube and LinkedIn; engaging with customers to provide customer service and build awareness of our brand and products.

CUA'S PEOPLE ARE IMPORTANT ›

An organisation can only fulfill its mission and achieve success if it is able to attract and retain quality staff. This truism was driven home to me in previous business roles and it is one on which I place considerable importance. We need the right people, in the right places, with the right skills and training. For this reason I was extremely proud during the year to receive the HR Champion Award at the Australian HR Awards. Of course, this award was not about me but rather about the efforts of our HR team to mould CUA into a best practice employer.

There are great pressures on our people resulting from the extensive change initiatives completed, underway and planned. The high watermark of pressure will be marked by the introduction of the new core banking system. This will transform how CUA approaches much of its day to day activities as well as how we plan and innovate. As with any major infrastructural investment there will be extensive training requirements on staff, with consequent operational and personnel issues which will need to be worked through carefully. I am confident that CUA's staff will approach this task with their usual supportive and professional attitude. This is by far the largest project CUA has even undertaken, reflected in a commitment to over 20,000 hours of training specifically on the new system across the organisation.

It is appropriate here to mention the recent move of CUA's head office to 145 Ann Street, Brisbane. This new energy-efficient, staff-friendly premises provides a prominent central location from which to showcase CUA's presence and ambitions.

BUILDING OUR STRENGTHS ›

One of the important benefits of reporting our progress to customers and members is that the efforts of staff in designing, delivering and implementing initiatives can be shared with a wide audience. Initiatives which had a significant impact on our operational abilities during the year included:

- Upgrading loan processes to better practice through the commencement of a roots and branch review of all aspects of the loan process, both front and rear office. Coupled with this review has been the appointment of a significant pool of home loan specialists based in key branches as well as an expanded and enhanced broker support team. We will need to continue to invest in further improvement to our loans process over the next couple of years to gain further benefits in customer service and productivity. Risk and Compliance have been separated and a Chief Risk Officer appointed in recognition of the increasingly demanding strategic, technical and regulatory aspects of risk.
- Over the year CUA was very active in bringing innovative products to market to better meet the needs of our customers. In addition to the award-winning Rate Breaker Package home loan we also launched a new suite of market-leading fixed rate personal loan products, and a Youth eSaver - a best in market high-interest online savings account specifically aimed at helping our younger customers save.
- An Innovation function was added to the business during the year. This was in recognition of the innovation theme which has emerged as a factor in CUA's success. We need to be both a leader and an innovator, because those who are not will not survive. Receiving, against all comers, Australian Lending Awards for Best Innovator and Best Mutual represented important peer recognition of our progress in this crucial area.

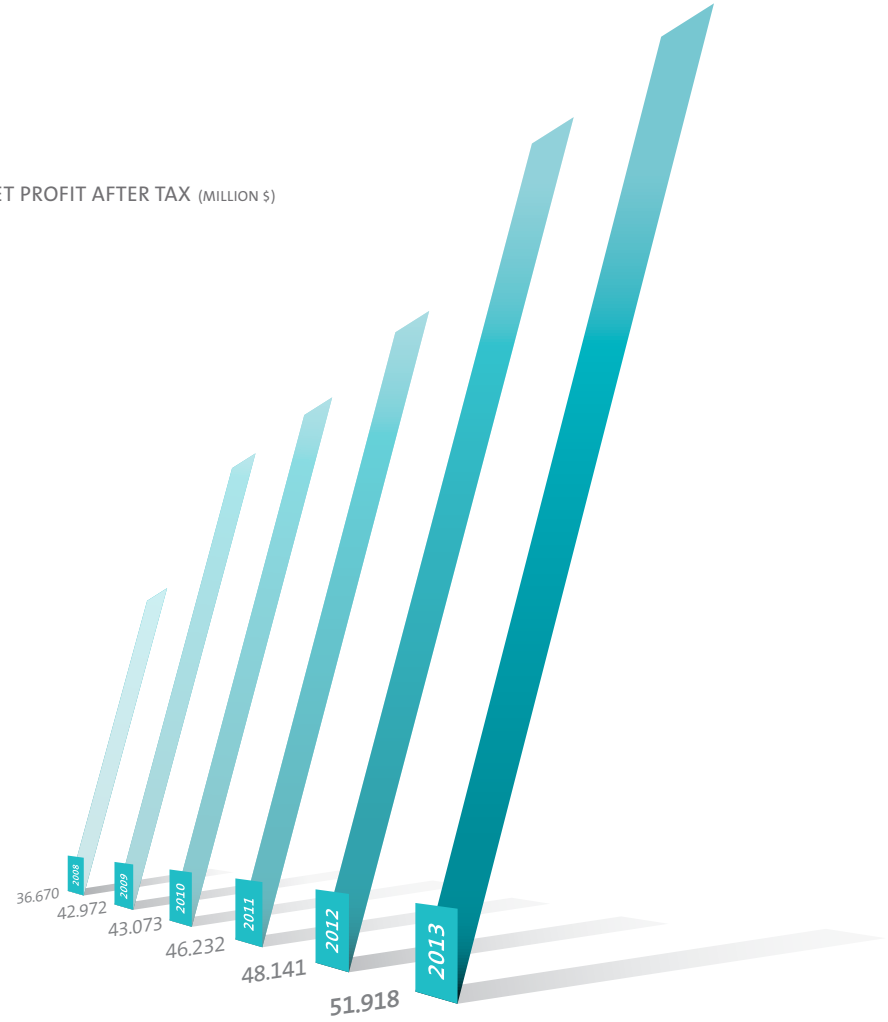
COMMUNITY ›

CUA continued its successful Community Care school grants program in 2012-13. Community voting is a great way of distributing funds to schools and communities. In total $80,000 was donated to 40 schools. Healthy competition is a key aspect of the Community Care program, and participating schools this year worked extremely hard to share their message and encourage community voting. The use of Facebook was a valuable addition to the program, as it enabled schools to reach out to a larger portion of their local community than could be achieved through print material alone. We anticipate extending this program and expanding the number of CUA branches participating.

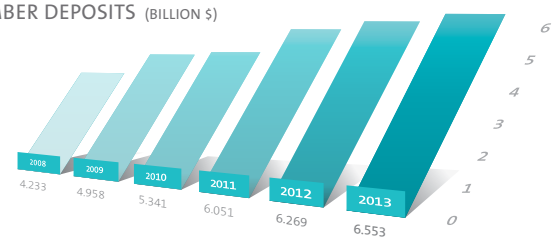
I was proud to finish the year by joining over 700 other CEOs across the country for the 2013 Vinnies CEO Sleepout and to raise much needed funds for homeless Australians. There are more than 100,000 Australians who find themselves homeless each night of the year. Just under half of these are women; a quarter under the age of 18.

FINANCIALS

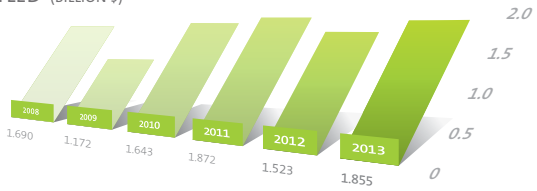
UNDERLYING NET PROFIT AFTER TAX (MILLION $)



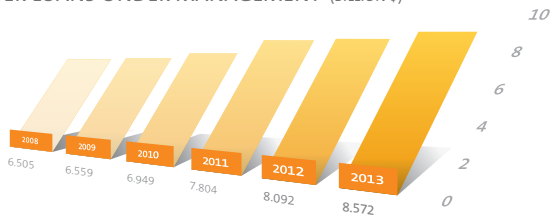
MEMBER DEPOSITS (BILLION $)



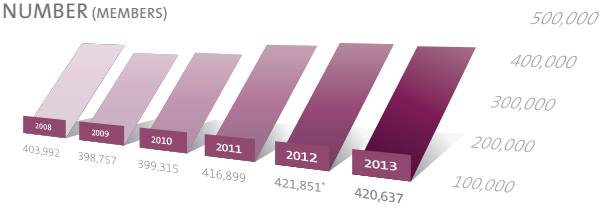
LOANS SETTLED (BILLION $)



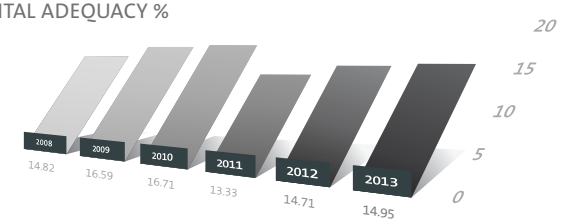
MEMBER LOANS UNDER MANAGEMENT (BILLION $)



MEMBER NUMBER (MEMBERS)
*Revised



CAPITAL ADEQUACY %



CORPORATE GOVERNANCE

The Board of Credit Union Australia Ltd (CUA) is responsible for the corporate governance of CUA and its controlled entities. CUA is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. CUA is also supervised by the Australian Securities & Investments Commission (ASIC) under the Corporations Act 2001 and has been granted an Australian Financial Services Licence and an Australian Credit Licence.

ROLE OF THE BOARD

The Board's primary role is to protect and enhance long-term member value. To fulfill this role, the Board is responsible for providing strategic guidance to CUA and its related bodies corporate (the "CUA Group") monitoring and providing effective oversight of CUA management; overseeing CUA's risk management systems; and acting as an interface between CUA and its members.

Responsibility for the operation and administration of CUA has been delegated by the Board to the Chief Executive Officer (CEO) and executive management team.

The Board has adopted a formal Board Charter setting out in further detail its role, responsibilities and structure within CUA's overarching corporate governance framework and operates in compliance with APRA's CPS 510 Governance and CPS 520 Fit and Proper.

The Board is committed to ensuring its composition reflects the appropriate high level skills mix necessary to enable CUA to meet its strategic objectives. Renewal of board skills is carefully managed through an annual review process and formal evaluation of the performance of the Board and of individual directors.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and CUA's constitution, directors must keep the Board advised of any interest that could potentially conflict with the interests of CUA. The Board has developed guidelines to assist directors in annually disclosing potential conflicts of interest.

MEMBER PARTICIPATION

Members have two relationships with CUA, as a customer and as an owner/shareholder. As customers, members exercise choice through their selection of the products and services they believe best suit their individual needs. As owners/ shareholders, members have the right, and are encouraged, to participate in appropriate governance activities of their credit union.

ETHICS

To maintain member confidence in the integrity of CUA, directors have adopted and adhere to a Personal Code of Conduct, which is based on the code developed by the Australian Institute of Company Directors. At CUA we place great importance on the confidentiality of our customers' personal information. We take steps to ensure that customer information is not disclosed to, or accessed by, unauthorised persons.

RISK MANAGEMENT

CUA manages a diverse range of significant risks. To this end the Board is committed to the identification and management of these risks throughout the CUA Group. The Board, through the CEO, has established a risk management system for assessing, monitoring and managing these risks.

REMUNERATION POLICIES FOR DIRECTORS

In determining director remuneration, the Board obtains independent advice on the appropriateness of remuneration given trends in comparative companies. Remuneration levels are designed to attract and retain appropriately qualified and experienced non-executive directors. Non-executive directors do not receive any performance-related remuneration. Non-executive directors may maintain loans and credit facilities from CUA at normal member rates of interest. Subject to meeting specific criteria, directors retiring from the Board may receive a termination payment of up to three years directors' fees.

BOARD COMMITTEES

To assist in the execution of its responsibilities the Board has established a number of committees. The following Board committees operated during the financial year:

- Board Audit Committee
- Board Risk Committee
- Board Nucleus Committee
- Board Remuneration Committee
- Board Strategy Consultative Committee
- Director Nominations' Committee (ceased on 12 November 2012).

Further details on the responsibilities and operation of CUA's current Board committees can be found on the CUA website at: www.cua.com.au

A. E. BEANLAND

B. Sc., FAICD

Chairman & independent non-executive director

Mr Beanland joined the Board in September 2009 and was elected Chairman in November 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards.

Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently a director of Colonial Foundation and served as the Chairman of Superpartners (2006-2012) and as a director of Spotless Group Limited (ASX Listed) (2008-2012).

Mr Beanland held senior executive positions with Colonial Mutual for 16 years. In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Board Strategy Consultative Committees and is a member of the Board Risk and Nucleus Committees.

N. I. AMPHERLAW

B.Com., FCA, MAICD

Independent non-executive director

Mr Ampherlaw was appointed a director on 22 March 2011. He is a chartered accountant by profession. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles.

Mr Ampherlaw has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region.

Since joining CUA he has been a member of the Board Audit Committee and the Board Risk Committee (formally Board Audit and Risk Committee), the Board Strategy Consultative Committee, and the Board Nucleus Committee. He Chairs the Board Risk Committee and the Board Nucleus Committee. He is also on the Boards of the Australian Red Cross Blood Service and Grameen Foundation Australia.

P. J. BEDBROOK

B.Sc., FSIA, FAICD

Independent non-executive director

Mr Bedbrook joined the Board on 3 July 2011. A former executive with the Dutch global banking, insurance and investment group, ING, for 26 years holding a number of senior positions in the decade to 2010 including: President and CEO, INGDIRECT, Canada; CEO and Director of ING Australia, and; Regional CEO, ING Asia Pacific, Hong Kong. Prior to that, Mr Bedbrook was General Manager Investments & Chief Investment Officer for the Mercantile Mutual (ING) Group in Sydney.

Mr Bedbrook has over thirty years' experience in financial services, specifically across the areas of banking, insurance and investment management. He is a member of the Board Remuneration Committee, and a director of Credicorp Insurance Pty Ltd, CUA Health Ltd and CUA Financial Planning Pty Ltd.

P. G. DOWLING

AM, BA (Acc), FCPA, FAICD

Independent non-executive director

Mr Dowling has been a credit union director for more than eight years and was previously a partner of international accounting firm Ernst & Young. He is a Fellow of CPA Australia, The Institute of Chartered Accountants in Australia and The Australian Institute of Company Directors.

Mr Dowling received the Centenary of Federation Medal in 2001 and was made a Member of the Order of Australia in 2007. He is Deputy Chair of the Metro South Health and Hospital Board and Q-Comp and is a Director of the Cooperative Research Centre for Infrastructure and Engineering Asset Management, CPA Australia, the Credit Union Foundation of Australia, Lexon Insurance, SPYRUS Pty Ltd and Virgin Blue's aircraft leasing subsidiaries. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, the Queensland Transport and Main Road's Audit and Risk Committee and the Queensland Crime and Misconduct Commission Audit Committee.

Mr Dowling is also a Member of the Audit and Risk Committees for the Moreton and Redland Councils and the Queensland Department of Energy and Water Supply. Mr Dowling is the Queensland Honorary Consul for Botswana. Mr Dowling is a member of the Board Strategy Consultative Committee and a Director of CUA Health.

OUR BOARD

E. A. FOSTER

B.Bus.(Accounting), FCPA, GAICD, MAMI

Independent non-executive director

Ms Foster has been a credit union director for 22 years. She is a self-employed accountant who has extensive experience in finance, previously working for Telstra in senior management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. She served on the board of the Credit Union Foundation of Australia (CUFA) from 2003 to 2008.

Ms Foster is Chair of the Board Audit Committee and the Credicorp Insurance Pty Ltd Board Audit & Risk Committee. She is also a member of the CUA Board Risk Committee and a director of Credicorp Insurance Pty Ltd.

C. M. GREER

LLB, Grad.Dip.Legal.Prac., FAICD

Independent non-executive director

Ms Greer has been a Non-Executive Director of CUA for nine years. Her professional career has been diverse covering multi-disciplines including law, stockbroking, hospitality and marketing. She is a member of the Board Audit Committee and Board Remuneration Committee at CUA, and is also a member of the special purpose Nucleus Committee. During her tenure, Ms Greer has been a Director of CUA Financial Planning Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd, and has been a member of the Group's Board Audit and Risk Committee. She has been a Director of Queensland Events Corporation and Chair of Restaurant Catering Queensland, Brisbane Branch.

Ms Greer has also acted in an advisory capacity to the Committee for Economic Development of Australia.

M. T. PRATT

SF Fin, GradDip(Org Beh),FAICD, FAIM, FAHRI, AMP (Harvard)

Independent non-executive director (app 16 Jan 2013)

Mr Pratt has an extensive career in banking and wealth management throughout Australia, New Zealand and Asia. Most recently, he was CEO of Consumer and SME Banking, North East Asia with Standard Chartered Bank based in Shanghai. He is a former President of the Australian Institute of Banking & Finance and was the Inaugural Joint President of Finsia.

Mr Pratt's other previous roles include senior executive positions as Group Executive of Westpac Australia Consumer & Business Banking, CEO National Australia Bank, Australia and CEO, Bank of New Zealand. In all these roles he has driven major change, delivering strong financial results and much improved customer service across multiple channels.

Mr Pratt is also Commissioner for Service in the NSW Government, a Member of the Board of Trustees of the University of Western Sydney and a Director of the Bennelong Group.

C. M. WHITEHEAD

B.Sc (Hons), FAICD

Chief Executive Officer

Chris joined CUA in August 2009, bringing the benefit of over 30 years' experience in a broad range of organisations and roles. He commenced his career in the IT industry progressing from technical roles into sales, marketing and general management, mainly working with banks and building societies. In 1994 Chris joined Advance Bank in Sydney as Chief Information Officer, moving to BankWest in Perth in the same role in 1998. This role broadened to include payments business responsibility and responsibility for innovation strategies and the establishment of a number of new businesses.

In 2001 Chris was appointed as Chief Executive of Retail Banking and established a highly successful business transformation program, leading to national expansion. In 2007 Chris was seconded to the Bank of Scotland with responsibility for a network of over 150 branches and over 2000 staff.

Chris has served on a range of Boards in the banking, financial planning, funds management and general insurance industries; as well as community and charitable organisations. Chris is currently a director of CUA Limited, a number of CUA subsidiaries and also of Cuscal Limited.

Ms C. Franks resigned from her position on the Board on 14 December 2012

CHRIS WHITEHEAD

FAICD

Chief Executive Officer

Chris joined CUA in August 2009, bringing the benefit of over 30 years' experience in a broad range of organisations and roles. He commenced his career in the IT industry progressing from technical roles into sales, marketing and general management, mainly working with banks and building societies. In 1994 Chris joined Advance Bank in Sydney as Chief Information Officer, moving to BankWest in Perth in the same role in 1998. This role broadened to include payments business responsibility and responsibility for innovation strategies and the establishment of a number of new businesses.

In 2001 Chris was appointed as Chief Executive of Retail Banking and established a highly successful business transformation program, leading to national expansion. In 2007 Chris was seconded to the Bank of Scotland with responsibility for a network of over 150 branches and over 2000 staff.

Chris has served on a range of Boards in the banking, financial planning, funds management and general insurance industries; as well as community and charitable organisations. Chris is currently a director of CUA Limited, a number of CUA subsidiaries and also of Cuscal Limited.

SUE COULTER

General Manager, Business Transformation

Sue commenced with CUA in May 2010 and brought with her over 25 years' experience in financial services across a broad range of senior management and executive roles, in Australia and the UK. During this time Sue has been responsible for delivering major strategic transformational change programs for HBOS and BankWest and also as a management consultant across other industry sectors.

Sue has also been responsible for strategy development and enablement across areas such as back office processing, distribution, product and channel management. Many of these projects have also required the delivery of complex technology solutions as part of the organisation's overall transformational change agenda.

Consistent with the strategic objectives of CUA, Sue's major focus is to deliver the core banking system replacement project and other related initiatives such as Online and Mobile Banking, whilst also overseeing the remainder of the CUA project and change portfolio.

DAVID GEE

Chief Information Officer

David joined CUA in September 2011. He is a highly experienced CIO with more than 28 years' IT experience across the USA, Japan, Asia and the Oceania region serving as CIO, director and consultant.

David held a series of CIO roles at Eli Lilly across its US, Japanese, Chinese and broader Asian operations over a 15-year period. In his last CIO role at Eli Lilly USA, he was responsible for a US$12B organisation. David's experience also includes providing strategic IT consulting at KPMG and at Ernst & Young across a number of industries.

He has also successfully completed a number of large-scale transformation programs at organisations such as IAG Insurance, John Fairfax and Pioneer International. Mr Gee is a past Global Advisory Board member for HP, Nokia and Oracle Siebel.

JOHN GEORGE

Group General Manager, Service Operations

John has over 30 years' experience in the banking, finance and property industries. His deep, practical understanding of operational management, customer service, systems integration, change management and process re-engineering has led him to develop an appetite for creating and implementing quality-management systems.

His major areas of responsibility include lending, banking and health operations, credit risk management, continuous improvement and special projects.

John is also the Managing Director of CUA's subsidiary companies, Credicorp Insurance Pty Ltd and CUA Health Limited.

EXECUTIVE MANAGEMENT

JASON MURRAY

General Manager, Products & Marketing

Jason has developed his financial services industry experience through a career working in Product, Marketing and Innovation roles in Retail and Corporate Banks in both Australia and the UK. After spending seven years in the UK, where he built a legacy of launching innovative, award-winning and customer-focused products, he returned to Australia in 2010 to join CUA.

His current areas of responsibility include Products, Brand, Corporate Affairs, Customer Insights and Community.

Jason is passionate about positioning CUA as a genuine alternative to the major banks and believes leveraging and extending our customer-centric approach is critical to achieving this objective.

SCOTT NORTH

FCA, MBIT

Chief Risk Officer

Scott joined CUA in July 2013, with over 20 years' experience in risk management, audit, technology, and accounting, with the last 12 years being in the financial services industry.

Scott has spent the past eight years as a senior leader in enterprise risk management in financial services, with a strong focus on digital innovation in retail banking.

Scott's most recent role, prior to CUA, was with GE Capital as Head of Risk Digital and Head of Enterprise Operational Risk for the Australia and New Zealand businesses. Prior to GE Capital Scott was responsible for enterprise risk management for the NAB in their digital banking business, including implementing the enterprise risk management framework for UBank.

Scott has a passion for leveraging innovation and technology to build sustainable and effective enterprise risk management frameworks. Scott is also a Fellow of the University of Melbourne.

DARRIN NORTHEY

Group General Manager, Distribution

Darrin joined CUA as an Executive in April 2010. With more than 20 years' experience across an extensive range of roles in the banking and finance industry, Darrin has spent the past decade as a senior leader and executive in business and retail banking.

Darrin's most recent experience, prior to CUA, was with Westpac as General Manager South Australia/Northern Territory and Head of Local Business Banking for Queensland.

Darrin has extensive experience leading distribution businesses, with a strong passion for customer service excellence and specialises in the transformation of sales and service delivery channels. Darrin's areas of responsibility at CUA include, a national branch and mobile lending network, Broker relationships, CUA Financial Planning, CUA Direct customer contact centre. Along with responsibility for CUA's various digital services and digital innovation including www.cua.com.au, mobile banking, CUA's social media presence, Web Banker and our various online services.

Darrin is an Executive Director of CUA Financial Planning Pty Ltd.

TONY TAYLOR

CPA, F.Fin

Chief Financial Officer

Tony joined CUA in October 2011 drawing on more than 30 years' regional experience in financial and management accounting, with the last 13 in CFO roles within the financial services industry.

Tony was previously CFO Retail Bankwest where he spent six years improving the financial management of the Retail Division, supporting the east coast expansion program and playing a leading role through the challenges of the GFC and post-Commonwealth Bank acquisition.

Prior to that, as CFO of the Papua New Guinea Banking Corporation, Tony lead the vendor due diligence team in its privatisation and post-sale took over the role of CFO Bank South Pacific. A leading role in the post-sale transformation project saw Tony take responsibility for shared services, IT and marketing in addition to his CFO responsibilities.

Royden Juriansz resigned from his position as General Manager Risk and Compliance on 28 June 2013

Rod Saville resigned from his position as General Counsel and Company Secretary on 22 March 2013

DAWN TSOUBOS

CAHRI, MAITD

General Manager, Human Resources

Dawn has more than 20 years' experience in financial service change leadership and human resources (HR) management. Dawn joined CUA in October 2010 after leading the HR function at a leading superannuation company, where she supported the organisation through a significant business transformation. Prior to that spending an extensive and varied career in one of Australia's Tier 1 financial services organisation.

Dawn's experience includes consulting and developing HR and learning strategy, design and development, organisation design and change management. Her current focus is supporting the business through its transformational change journey with a specific focus on culture change, talent attraction and retention, learning and development and increasing leadership capability.

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CREDIT UNION AUSTRALIA LIMITED

ABN 44 087 650 959
AFSL and Australian credit licence 238317

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www.cua.com.au

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FINANCIAL REPORT 2013

Credit Union Australia Limited ABN
44 087 650 959

Building and Delivering

cua®

CREDIT UNION AUSTRALIA LTD

ABN 44 087 650 959

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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Directors' report

The directors have pleasure in presenting their report together with the financial report of Credit Union Australia Ltd (CUA / Credit Union) and of the Group, being CUA and its controlled entities, for the year ended 30 June 2013 and the auditor's report thereon.

Directors

The names and details of the directors of CUA in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

A.E.Beanland
N.I.Ampherlaw
P.J.Bedbrook
P.G.Dowling
E.A.Foster
C.Franks (resigned 14 December 2012)
C.M.Greer
M.T.Pratt (appointed 16 January 2013)
C.M.Whitehead

Details of Directors

A.E.Beanland
B.Sc., FAICD
Chairman and independent non-executive director

Mr Beanland joined the Board in September 2009 and was elected Chairman in November 2009. His business experience spans four continents and exceeds four decades with wide experience as a director on diverse boards. Mr Beanland has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He is currently a director of Colonial Foundation and served as the Chairman of Superpartners (2006-2012) and as a director of Spotless Group Limited (ASX Listed) (2008-2012). Mr Beanland held senior executive positions with Colonial Mutual for 16 years. In addition to his role as Chairman of the Board, Mr Beanland is also Chairman of the Board Remuneration and Board Strategy Consultative Committees and is a member of the Board Risk and Nucleus Committees.

N.I.Ampherlaw
B.Com., FCA, MAICD
Independent non-executive director

Mr Ampherlaw was appointed a director on 22 March 2011. He is a chartered accountant by profession. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Mr Ampherlaw has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region. Since joining CUA he has been a member of the Board Audit Committee and the Board Risk Committee (formally Board Audit and Risk Committee), the Board Strategy Consultative Committee, and the Board Nucleus Committee. He chairs the Board Risk Committee and the Board Nucleus Committee. He is also on the Boards of the Australian Red Cross Blood Service, Grameen Foundation Australia and Quickstep Holdings Limited.

P.J.Bedbrook
B.Sc., FSIA, FAICD.
Independent non-executive director

Mr Bedbrook joined the Board on 3 July 2011. A former executive with the Dutch global banking, insurance and investment group, ING, for 26 years holding a number of senior positions in the decade to 2010 including: President and CEO, INGDIRECT, Canada; CEO and Director of ING Australia, and; Regional CEO, ING Asia Pacific, Hong Kong. Prior to that, Mr Bedbrook was General Manager Investments & Chief Investment Officer for the Mercantile Mutual (ING) Group in Sydney. Mr Bedbrook has over thirty years' experience in financial services, specifically across the areas of banking, insurance and investment management. He is a member of the Board Remuneration Committee, Chair of CUA Financial Planning Pty Ltd and a director of Credicorp Insurance Pty Ltd, CUA Health Ltd and CUA Financial Planning Pty Ltd.

Directors' report (continued)

P.G.Dowling
AM, BA (Acc), FCPA, FAICD
Independent non-executive director

Mr Dowling has been a director of CUA since March 2003 and was previously a partner of international accounting firm Ernst & Young. He is a Fellow of CPA Australia, The Institute of Chartered Accountants in Australia and The Australian Institute of Company Directors. Mr Dowling received the Centenary of Federation Medal in 2001 and was made a Member of the Order of Australia in 2007. He is Deputy Chair of the Metro South Health and Hospital Board and Q-Comp and is a Director of the Cooperative Research Centre for Infrastructure and Engineering Asset Management, CPA Australia, the Credit Union Foundation of Australia, Lexon Insurance, SPYRUS Pty Ltd and Virgin Blue's aircraft leasing subsidiaries. He is also the Chair of the Sunshine Coast Regional Council's Audit and Risk Committee, the Queensland Transport and Main Road's Audit and Risk Committee and the Queensland Crime and Misconduct Commission Audit Committee. Mr Dowling is also a Member of the Audit and Risk Committees for the Moreton and Redland Councils and the Queensland Department of Energy and Water Supply. Mr Dowling is the Queensland Honorary Consul for Botswana. Mr Dowling is a member of the Board Strategy Consultative Committee and a director of CUA Health Ltd.

E.A.Foster
B.Bus.(Accounting), FCPA, GAICD, MAMI
Independent non-executive director

Ms Foster has been a credit union director for 22 years. She is a self-employed accountant who has extensive experience in finance, previously working for Telstra in senior management positions. She was also Chief Finance Officer at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union. She served on the board of the Credit Union Foundation of Australia (CUFA) from 2003 to 2008. Ms Foster is Chair of the Board Audit Committee and the Credicorp Insurance Pty Ltd Board Audit & Risk Committee. She is also a member of the CUA Board Risk Committee and a director of Credicorp Insurance Pty Ltd.

C.Franks
M.Mgt, BA (Statistics), FAICD, MAMI
Independent non-executive director (resigned 14 December 2012)

Ms Franks is a company director with over 14 years experience on credit union and not-for-profit boards. She was appointed Chair of Credicorp Insurance Pty Ltd on 27 July 2011 and was a director of CUA and of CUA Health Ltd until December 2012. She is currently Chair of Habitat for Humanity Australia, a director of NSW Kids & Families Board and serves on the International Development Committee for the Credit Union Foundation of Australia and a NSW government Clinical Excellence Commission Advisory Committee. Ms Franks has extensive executive experience in sales, marketing, consumer research and customer service in both commercial and not-for-profit sectors.

C.M.Greer
LLB, Grad.Dip.Legal.Prac., FAICD
Independent non-executive director

Ms Greer has been a non-executive director of CUA since March 2003. Her professional career has been diverse covering multi-disciplines including law, stockbroking, hospitality and marketing. She is a member of the Board Audit Committee and Board Remuneration Committee at CUA, and is also a member of the special purpose Nucleus Committee. During her tenure, Ms Greer has been a director of CUA Financial Planning Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd, and has been a member of the Group's Board Audit and Risk Committee. She has been a director of Queensland Events Corporation and Chair of Restaurant Catering Queensland, Brisbane Branch. Ms Greer has also acted in an advisory capacity to the Committee for Economic Development of Australia.

Directors' report (continued)

M.T.Pratt
SF Fin, GradDip(Org Beh),FAICD, FAIM, FAHRI, AMP (Harvard)
Independent non-executive director (appointed 16 January 2013)

Mr Pratt has an extensive career in banking and wealth management throughout Australia, New Zealand and Asia. Most recently, he was CEO of Consumer and SME Banking, North East Asia with Standard Chartered Bank based in Shanghai. He is a former President of the Australian Institute of Banking & Finance and was the Inaugural Joint President of Finsia. Mr Pratt's other previous roles include senior executive positions as Group Executive of Westpac Australia Consumer & Business Banking, CEO National Australia Bank, Australia and CEO, Bank of New Zealand. In all these roles he has driven major change, delivering strong financial results and much improved customer service across multiple channels. Mr Pratt is also Commissioner for Service in the NSW Government, a Member of the Board of Trustees of the University of Western Sydney and a director of the Bennelong Group.

C.M.Whitehead
B.Sc (Hons), FAICD
Chief Executive Officer and Executive Director

Mr Whitehead joined CUA in August 2009, bringing the benefit of over 30 years of experience in a broad range of organisations and roles. He commenced his career in the IT industry and quickly progressed from technical and project management roles into sales, marketing and product management, mainly working with banks and building societies. After migrating to Australia in 1989, Mr Whitehead moved into General Management roles, including establishing a new Australian subsidiary for an international IT services provider. In 1994 Mr Whitehead joined Advance Bank in Sydney as Chief Information Officer, moving to BankWest in Perth in the same role in 1998. His role in BankWest broadened to include payments business responsibility and responsibility for innovation strategies and the establishment of a number of new businesses. In 2001 Mr Whitehead was appointed as Chief Executive of Retail Banking and led a significant and successful business transformation program. In 2007 Mr Whitehead transferred to the Bank of Scotland as a Regional Director, based in Glasgow with responsibility for a network of over 150 branches and over 2,000 staff.

Mr Whitehead has served on a range of Boards as a director in the banking, financial planning, funds management and general insurance industries; as well as community and charitable organisations. Mr Whitehead is currently a director of Credit Union Australia Ltd, a number of CUA subsidiaries and also of Cuscal Limited.

Company Secretaries

The company secretaries of CUA at any time during or since the end of the financial year are:

A.B.Ong (appointed 27 March 2013)
L.P.Swenson (resigned 7 June 2013)
R.P.M.Saville (resigned 22 March 2013)

A.B.Ong
LL.B (Hons), B.Com
General Counsel & Company Secretary (interim) (appointed 27 March 2013)

Mr Ong is a financial services lawyer and compliance professional, with experience gained through serving as a government regulator, an inhouse counsel and a private practitioner.

Prior to CUA, Mr Ong held senior roles leading the legal, compliance and risk management departments of diverse leading financial services organisations – with a particular focus on developing and implementing legal and compliance strategy, driving the development of a culture of compliance and overseeing strategies to reduce and manage enterprise risk. Mr Ong also has extensive company secretarial experience and regularly advises on general corporate law, directors' duties and corporate governance.

Mr Ong holds a Bachelor of Laws (Hons) and Bachelor of Commerce (in accounting and finance) from the University of Sydney.

Directors' report (continued)

L.P.Swenson
B.Com/LL.B (Hons), LLM, ACIS
Corporate Lawyer and Company Secretary (resigned 7 June 2013)

Ms Swenson jointly held the position of company secretary of Credit Union Australia Ltd, Credicorp Insurance Pty Ltd, CUA Health Ltd and CUA Financial Planning Pty Ltd and is also a corporate lawyer for the CUA Group. She is a qualified solicitor and chartered secretary with extensive experience in corporate governance and the areas of commercial, corporate and construction law.

R.P.M.Saville
B.A. LL.B (Hons), F Fin, MAICD
General Counsel and Company Secretary (resigned 22 March 2013)

Mr Saville joined CUA in June 2011, bringing over 25 years' experience as a lawyer, including senior roles with a number of Australia's leading financial institutions. He led the NSW legal team of National Australia Bank as State General Counsel for several years and has extensive experience in the areas of banking and finance, consumer credit, corporate transactions, secured and unsecured financing and legal and regulatory compliance.

Mr Saville also has experience working with government, having worked for a number of years as a principal lawyer with the Federal Attorney-General's Department and the Australian Government Solicitor. Rod is a fellow of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and is admitted as a solicitor of the Supreme Court of New South Wales.

Directors' meetings

The number of meetings of directors and meetings of Board Committees held during the year and the number of meetings attended by each director was as follows:

A = Number of meetings eligible to attend.
B = Number of meetings attended.

	Board Meetings		Board Audit Committee		Board Risk Committee		Board Remuneration Committee		Board Strategy Consultative Committee		Director Nominations' Committee		Board Nucleus Committee	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A.E. Beanland	11	11	-	-	4	4	7	7	3	3	1	1	8	8
N.I. Ampherlaw	11	11	6	6	4	4	-	-	3	3	1	1	8	8
P.J. Bedbrook	11	11	-	-	3	3	7	7	-	-	-	-	-	-
P.G. Dowling	11	10	-	-	-	-	-	-	3	3	-	-	-	-
E.A. Foster	11	11	6	6	4	4	-	-	-	-	-	-	-	-
C. Franks	5	5	-	-	-	-	-	-	-	-	-	-	-	-
C.M. Greer	11	11	5	5	-	-	7	7	-	-	-	-	8	8
M.T. Pratt	6	6	-	-	1	0	-	-	-	-	-	-	-	-
C.M. Whitehead	11	11	-	-	-	-	-	-	-	-	-	-	-	-

The Nucleus Board Committee oversees the implementation of a new core banking system (Nucleus) which is intended to support the future growth in CUA's customer and business operations

Directors' report (continued)

Directors' benefits

During, or since the end of the financial year, no director has received, or become entitled to receive, a benefit by reason of a contract entered into by CUA, or its controlled entities, with the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, other than a benefit to which the director is entitled as a member of CUA. All transactions with entities associated with directors are at arm's length and on commercial terms.

Indemnification of directors and officers

During the financial year, CUA paid an insurance premium in respect of an insurance policy for the benefit of directors, secretaries, executive officers and employees of the credit union and related entities. The insurance policy grants indemnification in respect of certain liabilities for which the Corporations Act 2001 allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium. No insurance cover has been provided for the benefit of the auditors of the credit union.

Financial performance disclosures

Principal activities

The principal activities of the credit union during the financial year comprised the raising of funds by deposit and the provision of loans and associated services to members. Through its controlled entities, the Group was also involved in general insurance, health insurance and financial planning activities.

Review of operations

The Group reported a net profit after income tax for the financial year ended 30 June 2013 of $57,485,000 (2012: $50,996,000).

The Group recorded positive growth in loans and advances (gross) at 5.9% year on year, to $8,577,403,000 from $8,097,805,000, which has helped contribute to the improvement in net interest income revenue over the year.

CUA continued to increase its household deposit growth in a competitive environment for deposit market share, growing 4.5% year on year to $6,498,578,000 from $6,212,038,000.

CUA Health Ltd contributed strongly to the group result, reporting a net profit after tax of $6,760,000, mainly through strong customer growth, resulting in strong contribution income growth.

As CUA continues its focus of investing for the future, the full year impact of the personnel growth experienced in financial year 2013 has increased year on year operating costs for financial year 2013.

Dividends

The constitution of the parent does not currently allow for the payment of dividends.

Non-IFRS information

The Group provides an additional measure of performance, underlying net profit after tax, which is prepared on a basis other than in accordance with IFRS. The directors believe the Non-IFRS information is useful for the users of this document as they reflect the underlying financial performance of the business. A reconciliation of

Directors' report (continued)

underlying profit is presented below and the adjustments have been determined on a consistent basis with those made in the prior years. Underlying profit is not audited; however, the adjustments made in arriving at underlying profit are included in reportable profit after tax which is subject to audit within the context of the Group audit opinion.

	Consolidated	
	2013 $'000	2012 $'000
Reportable net profit after tax	**57,485**	50,996
Less adjustments for specific items:		
After tax gain/(loss) on fair values of derivatives	**4,425**	1,830
Special dividends received	**1,142**	1,025
Underlying net profit after tax	**51,918**	48,141

Capital and Remuneration Prudential Disclosures

For APS 330 capital disclosures, please refer to the Prudential Disclosures section of the CUA website (http://www.cua.com.au/about-cua/corporate-governance/prudential-disclosures).

Significant changes in the state of affairs

On 19 June 2013, CUA established a new special purpose vehicle, Series 2013-1 Harvey Trust which issued $675m of securities as part of CUA's loan securitisation program. CUA also provides arm's length interest rate swap and redraw facilities to the Trust. Other than the new trust, there were no significant changes in the state of affairs of the Group during the financial year.

Events after the statement of financial position date

No other matters or circumstances have arisen since the end of the financial year which significantly affect or may significantly affect the operations, or state of affairs of the credit union in subsequent financial year

Likely developments

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

(i) The operations of the credit union;
(ii) The results of those operations; or
(iii) The state of affairs of the credit union

in the financial years subsequent to this financial year.

Rounding

Except where indicated, the amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars in accordance with ASIC Class Order 98/0100.

Directors' report (continued)

Auditor's independence

The directors have obtained a copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001.

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

A.E.Beanland
Chairman

E.A.Foster
Director

Brisbane
28 August 2013

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Building a better working world

Auditor's independence declaration to the directors of Credit Union Australia Ltd

In relation to our audit of the financial report of Credit Union Australia Ltd for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

P McLuskie

Paula McLuskie
Partner
28 August 2013

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Statement of financial performance

For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Revenue					
Interest revenue		**548,498**	580,375	**546,242**	577,903
Interest expense		**(350,707)**	(397,047)	**(351,601)**	(398,076)
Net interest revenue		**197,791**	183,328	**194,641**	179,827
Fee and commission revenue		**37,922**	36,440	**37,268**	36,507
Net gain on derivatives	12	**6,321**	2,615	**6,321**	2,615
Contribution income - CUA Health Ltd		**91,501**	83,752	**-**	-
General insurance income - Credicorp Insurance Pty Ltd		**3,917**	3,948	**-**	-
Other income	4	**4,944**	9,013	**9,871**	14,969
Net operating income		**342,396**	319,096	**248,101**	233,918
Expenses					
Impairment on loans and advances		**4,062**	1,820	**4,022**	1,783
Personnel	4	**84,365**	83,404	**78,765**	78,140
Occupancy		**22,796**	19,570	**22,796**	20,140
Depreciation of property, plant and equipment	4	**8,959**	7,836	**8,893**	7,797
Amortisation of intangible assets		**2,396**	1,746	**2,370**	1,706
Benefits paid - CUA Health Ltd		**77,669**	69,543	**-**	-
Claims paid - Credicorp Insurance Pty Ltd		**524**	787	**-**	-
Information technology		**10,384**	10,033	**10,181**	9,405
Other expenses	4	**52,606**	55,677	**50,318**	53,447
Total operating expenses		**263,761**	250,416	**177,345**	172,418
Profit/(loss) before income tax expense		**78,635**	**68,680**	**70,756**	61,500
Income tax expense	5	**(21,150)**	(17,684)	**(20,307)**	(16,967)
Net profit/(loss) after tax		**57,485**	**50,996**	**50,449**	44,533
Profit for the period is attributable to:					
Owners of the parent		**57,485**	50,996	**50,449**	44,533
		57,485	50,996	**50,449**	44,533

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

Statement of comprehensive income

For the year ended 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Net profit after tax		**57,485**	50,996	**50,449**	44,533
Other comprehensive Income					
Items that may be reclassified to profit or loss					
Net fair value gain/(loss) on available for sale financial assets		**(71)**	135	**(71)**	135
Net gain/(loss) on cash flow hedges taken to equity		**7,829**	(18,139)	**7,829**	(18,139)
Income tax on other comprehensive income	5	**(2,327)**	5,401	**(2,327)**	5,401
Other comprehensive income after tax		**5,431**	(12,603)	**5,431**	(12,603)
Total comprehensive Income		**62,916**	38,393	**55,880**	31,930
Total comprehensive income for the period is attributable to:					
Owners of the parent		**62,916**	38,393	**55,880**	31,930
		62,916	38,393	**55,880**	31,930

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

As at 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	Parent 2013 $'000	Parent 2012 $'000
Assets					
Cash and cash equivalents	8	**66,516**	206,658	**66,186**	206,041
Financial assets - available for sale	9	**14,024**	14,024	**14,024**	14,024
Financial assets - fair value through profit or loss	10	**45,617**	49,711	**-**	-
Financial assets - held to maturity	11	**1,153,624**	988,509	**1,153,624**	982,578
Derivative financial instruments	12	**147**	-	**147**	-
Loans and advances	13	**8,571,513**	8,092,351	**8,571,513**	8,092,395
Other receivables	15	**10,035**	13,774	**1,870**	7,821
Investments in controlled entities	16	**-**	-	**800**	800
Property, plant and equipment	17	**78,010**	47,871	**77,906**	47,782
Deferred tax assets	18	**13,357**	18,272	**13,263**	18,197
Intangible assets	19	**3,729**	3,663	**3,691**	3,566
Other assets	20	**1,531**	1,693	**1,528**	1,693
Total assets		**9,958,103**	9,436,526	**9,904,552**	9,374,897
Liabilities					
Derivative financial instruments	12	**12,284**	23,314	**12,284**	23,314
Deposits	21	**6,553,232**	6,268,760	**6,582,295**	6,287,790
Borrowings	22	**2,567,523**	2,397,375	**2,567,523**	2,392,931
Other payables	23	**44,686**	34,548	**24,845**	13,848
Income tax payable	25	**6,678**	3,657	**6,529**	3,730
Provisions	26	**17,111**	15,199	**17,111**	15,199
Total liabilities		**9,201,514**	8,742,853	**9,210,587**	8,736,812
Net assets		**756,589**	693,673	**693,965**	638,085
Member funds					
Reserves	27	**17,900**	10,061	**17,900**	10,061
Retained earnings	28	**738,689**	683,612	**676,065**	628,024
Total member funds		**756,589**	693,673	**693,965**	638,085

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

Statement of changes in equity

For the year ended 30 June 2013

Consolidated

($'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Total Members Funds
Balance at 1 July 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	633,996	655,280
Profit for the year after tax	-	-	-	-	-	-	-	50,996	50,996
Other comprehensive income after tax									
Net fair value gains on available for sale financial assets	-	-	-	94	-	-	94	-	94
Net loss on cash flow hedges taken to equity	-	-	-	-	(12,697)		(12,697)		(12,697)
Total comprehensive income for the period	-	-	-	94	(12,697)	-	(12,603)	50,996	38,393
Transactions with members in their capacity as members									
Movements in Credit loss reserve	-	1,257	-	-	-	-	1,257	(1,257)	-
Movements in Redeemable preference share reserve	123	-	-	-	-	-	123	(123)	-
Balance at 30 June 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	683,612	693,673
Balance at 1 July 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	683,612	693,673
Profit for the year after tax	-	-	-	-	-	-	-	57,485	57,485
Other comprehensive income after tax									
Net fair value loss on available for sale financial assets	-	-	-	(50)	-	-	(50)	-	(50)
Net gain on cash flow hedges taken to equity	-	-	-	-	5,481	-	5,481	-	5,481
Total comprehensive income for the period	-	-	-	(50)	5,481	-	5,431	57,485	62,916
Transactions with members in their capacity as members									
Movements in Credit loss reserve	-	2,260	-	-	-	-	2,260	(2,260)	-
Movements in Redeemable preference share reserve	148	-	-	-	-	-	148	(148)	-
Balance at 30 June 2013	2,447	11,511	2,086	-	(7,734)	9,590	17,900	738,689	756,589

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

Statement of changes in equity (continued)

For the year ended 30 June 2013

Parent

($'000)	Redeemable Preference Share Reserve	General Reserve for Credit Losses	Asset Revaluation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Business Combination Reserve	Total Reserves	Retained Earnings	Total Members Funds
Balance at 1 July 2011	2,176	7,994	2,086	(44)	(518)	9,590	21,284	584,871	606,155
Profit for the year after tax	-	-	-	-	-	-	-	44,533	44,533
Other comprehensive income after tax									
Net fair value gains on available for sale financial assets	-	-	-	94	-	-	94	-	94
Net loss on cash flow hedges taken to equity	-	-	-	-	(12,697)	-	(12,697)	-	(12,697)
Total comprehensive income for the period	-	-	-	94	(12,697)	-	(12,603)	44,533	31,930
Transactions with members in their capacity as members									
Movements in Credit loss reserve	-	1,257	-	-	-	-	1,257	(1,257)	-
Movements in Redeemable preference share reserve	123	-	-	-	-	-	123	(123)	-
Balance at 30 June 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	628,024	638,085
Balance at 1 July 2012	2,299	9,251	2,086	50	(13,215)	9,590	10,061	628,024	638,085
Profit for the year after tax	-	-	-	-	-	-	-	50,449	50,449
Other comprehensive income after tax									
Net fair value loss on available for sale financial assets	-	-	-	(50)	-	-	(50)	-	(50)
Net gain on cash flow hedges taken to equity	-	-	-	-	5,481	-	5,481	-	5,481
Total comprehensive income for the period	-	-	-	(50)	5,481	-	5,431	50,449	55,880
Transactions with members in their capacity as members									
Movements in Credit loss reserve	-	2,260	-	-	-	-	2,260	(2,260)	-
Movements in Redeemable preference share reserve	148	-	-	-	-	-	148	(148)	-
Balance at 30 June 2013	2,447	11,511	2,086	-	(7,734)	9,590	17,900	676,065	693,965

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

Statement of cash flows

For the year ended 30 June 2013

	Note	Consolidated 2013 $'000 Inflows (Outflows)	Consolidated 2012 $'000 Inflows (Outflows)	Parent 2013 $'000 Inflows (Outflows)	Parent 2012 $'000 Inflows (Outflows)
Cash Flows from Operating Activities					
Interest received		**554,841**	586,908	**555,264**	584,077
Interest and other borrowing costs paid		**(351,907)**	(395,248)	**(352,801)**	(396,277)
Other non-interest income received		**136,055**	131,747	**43,997**	48,050
Net increase in members' loans		**(483,224)**	(290,538)	**(483,140)**	(290,550)
Payments to suppliers and employees		**(234,614)**	(235,798)	**(148,551)**	(162,430)
Income tax paid		**(17,441)**	(17,631)	**(16,801)**	(16,710)
Net cash provided by/(used in) operating activities	31	**(396,290)**	(220,560)	**(402,032)**	(233,840)
Cash Flows from Investing Activities					
Sales/(purchases) of investments		**(159,005)**	7,842	**(169,316)**	73,180
Proceeds from sale of property, plant and equipment		**187**	5,798	**187**	5,798
Dividends received		**2,540**	3,007	**4,340**	4,507
Payments for plant, equipment and software		**(42,194)**	(28,655)	**(42,131)**	(28,614)
Net cash provided by/(used in) investing activities		**(198,472)**	(12,008)	**(206,920)**	54,871
Cash Flows from Financing Activities					
Proceeds from/(repayments to) borrowings		**170,148**	(206,913)	**174,592**	(207,350)
Net increase in members' deposits		**284,472**	566,228	**294,505**	512,268
Net cash provided by financing activities		**454,620**	359,315	**469,097**	304,918
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(140,142)**	126,747	**(139,855)**	125,949
Cash at the beginning of the year		**206,658**	79,911	**206,041**	80,092
Cash at the end of the year	8	**66,516**	206,658	**66,186**	206,041

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

Notes to the financial statements

For the year ended 30 June 2013

1. Corporate information

The financial report of Credit Union Australia Ltd (the Company) and the Group for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 28 August 2013.

Credit Union Australia Ltd is a for profit company incorporated and domiciled in Australia.

The controlling entity in the Group is Credit Union Australia Ltd. The registered office and principal place of business is:

Credit Union Australia Ltd
Level 23
145 Ann Street
Brisbane Qld 4000

2. Statement of significant accounting policies

Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

This financial report has been prepared on an historical cost basis, except for derivative financial instruments, financial assets available for sale, land and buildings and financial assets held by Credicorp Insurance Pty Ltd and CUA Health Ltd which are carried at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

Statement of compliance

The financial report complies with International Financial Reporting Standards (IFRS) which are applicable to the Group as issued by the International Accounting Standards Board.

The following standards and interpretations would have been applied for the first time for entities with years ended 30 June 2013. The following standards did not result in any significant changes to the accounting policies:

Reference	Application date of standard*	Application date for Group*
AASB 2013-2	Ending 31 March 2013	Ending 30 June 2013
AASB 2010-8	1 Jan 2012	1 July 2012
AASB 2011-9	1 July 2012	1 July 2012

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Statement of compliance (continued)

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been early adopted by the Group for the annual reporting period ended 30 June 2013 are outlined in the table below. Based on preliminary assessments, management does not expect significant impacts to arise from these standards and interpretations subject to the Group's further detailed analysis and assessment process.

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application date of standard*	Application date for Group*
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations that applies to all entities.	The assessment of this standard is well progressed and is not expected to have any material impact on the net assets or earnings of the Group.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities.	As the amendments relate only to disclosures, no material impact to the Group.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	This standard establishes a single source of guidance for determining the fair value of assets and liabilities including expanded disclosures for all assets and liabilities carried at fair value.	Preliminary assessment has indicated no material impact, subject to further analysis by the Group.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	The amendment is not expected to have a material impact on the Group.	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements.	The amendments are not expected to have a material impact on the Group.	1 January 2013	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle.	The amendment is not expected to have a material impact on the Group.	1 January 2013	1 July 2013

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Statement of compliance (continued)

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application date of standard*	Application date for Group*
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	The amendment is not expected to have a material impact on the Group.	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	The amendments are not expected to have a material impact on the Group.	1 July 2013**	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	The amendments are not expected to have a material impact on the Group.	1 January 2014	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs.	The Group will assess this interpretation further when an Australian equivalent has been issued.	1 January 2014	1 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets.	The Group is currently assessing the impact of this standard.	1 January 2015	1 July 2015

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Statement of compliance (continued)

The following standards and interpretations which are not applicable to the Group have been issued by the AASB but are not yet effective for the period ended 30 June 2013:

Reference	Title	Application date of standard*	Application date for Group*
AASB 11	Joint Arrangements	1 January 2013	1 July 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	1 July 2013	1 July 2013
AASB 1055***	Budgetary Reporting	1 July 2014	****

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

** This standard cannot be early adopted. Revisions are currently being made to the Corporations Law to bring this disclosure into the Directors' Report.

*** Only applicable to not-for-profit/public sector entities

**** Only applicable for Government entities which are likely to have June year-ends, therefore the application date is likely to be 1 July

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

(a) Basis of consolidation

The parent entity financial statements comprise the financial statements of Credit Union Australia Ltd and the Harvey Securitisation Trusts. As the Company remains exposed to the residual risk of the Special Purpose Entities (SPE's), which is mitigated by the Group's interest rate risk policy, the SPE's underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union's statement of financial performance and statement of financial position.

The consolidated financial statements comprise the financial statements of Credit Union Australia Ltd and all of its controlled entities (the Group). A controlled entity is any entity (including SPE's) over which Credit Union Australia Ltd has the power to govern directly or indirectly in relation to financial and operating policies, so as to require that entity to conform with the objectives of Credit Union Australia Ltd.

All inter-company balances and transactions between entities in the Group, including any unrealised profit or losses, have been eliminated on consolidation. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same accounting period as the parent company.

Where subsidiaries have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income tax

The charge for income tax expense is based on the profit for the year adjusted for any non-assessable or non-deductible items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of financial performance except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(c) Financial assets and liabilities

There have been no reclassification or derecognition of financial assets during the year.

Cash and cash equivalents

Receivables from other financial institutions are cash on hand and any call amounts due from Banks, Building Societies and other Credit Unions and exclude term deposits with other Authorised Deposit Taking Institutions (ADIs). They are brought to account at the gross value of the outstanding balance. Interest is brought to account using the effective interest rate method.

Financial assets – available for sale

Financial assets classified as available for sale represent commercial paper, selected deposits with ADIs that have been designated as available for sale at inception and shares in non-controlled companies.

Gain and losses on available for sale investments are recognised in equity as an available for sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of financial performance. Interest earned whilst holding available for sale financial investments is reported as interest income using the effective interest rate.

Shares that are held in this category are in non-listed entities and therefore have no active market. They are valued based on non-market observable data. Impairment is tested annually.

Financial assets - fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. Designation is made when it reduces significant accounting mismatches between assets and related liabilities. The group of financial assets are managed and their performance is evaluated on a fair value basis where related liabilities are also managed on this basis.

Financial assets – held to maturity

Financial assets classified as held to maturity represent selected deposits with ADIs, residential mortgage backed securities or loans to subsidiaries and are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue of costs that are an integral part of the effective interest rate. Gains and losses are recognised in the statement of financial performance when the financial assets are derecognised or impaired, as well as through the amortisation process.

Derivatives held for trading

Derivatives which do not qualify for hedge accounting are recorded in the statement of financial position. Changes in fair value are recorded in ‘net gain or loss on derivatives at fair value through profit or loss’. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Hedge accounting

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the 'cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the statement of financial performance.

When the hedged cash flow affects the statement of financial performance, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of financial performance. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the statement of financial performance. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of financial performance.

Loans and advances

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, amounts are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the statement of financial performance in 'impairment on loans and advances'.

Deposits and borrowings

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

(d) Investments in controlled entities

Investments in controlled entities are carried at cost and eliminated on consolidation.

(e) Revenue and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Interest revenue and expense

Interest revenue and expense is recognised as interest accrues using the effective interest rate method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as impaired the Group ceases to recognise interest revenue and other income earned but not yet received.

Interest on loans and advances is not brought to account by the Group if a loan has been transferred to a debt collection agency or a judgment has been obtained. No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the member are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

Fee and commission revenue

Fees and commission revenue are brought to account on an accrual basis over the period that they cover once a right to receive consideration has been attained. Financial service fees are recognised as and when the service is provided.

(f) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of Loans and Advances

All loans are subject to continuous management review to assess whether there is any objective evidence that any specific loan or group of loans is impaired. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Specific provisions for impairment losses are measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the statement of financial performance.

Bad debts are written off when identified. If a specific provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses directly in the statement of financial performance.

The collective provision is an estimate of the loss in the time between the loss event occurring and the loss being observed and is to account for those risks inherent in the business but which cannot be specifically identified.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

The collective provision is based on analysis of historical data. The impairment loss on loans and advances is disclosed in more detail in Note 14.

The various components of impaired assets are as follows:

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

"Past-due loans" means a loan in arrears which has not been operated within its key terms by the borrower for at least 90 days for personal and housing loans and for at least 14 days in relation to overlimit accounts and which is not an impaired loan.

(g) Securitisation

As part of its operational activities, the Company securitises loan assets, generally through the sale of these assets to SPE’s which issue securities to investors. As the Company remains exposed to the residual risk of the SPE’s, which is mitigated by the Group’s interest rate risk policy, the SPE’s underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union’s statement of financial performance and statement of financial position.

(h) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assert are not depreciated or amortised once classified as held for sale.

(i) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(j) Property, plant and equipment

Property

Freehold land and buildings are measured at fair value less subsequent depreciation and impairment losses. It is the policy of the Group to have an independent valuation undertaken at least every four years, with annual appraisals being made by the directors.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

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

Depreciation

All property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their expected useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements. Land is not depreciated.

Depreciation is calculated using the straight-line method to write down the cost of the asset to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset category	
Buildings	40 years
Motor vehicles	5 years
Computer hardware	3 years
Office furniture and equipment	5 years
Leasehold improvements	5-10 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Assets under $300 are not capitalised.

An item is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve included in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

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

(k) Intangible assets – computer software

Amortisation is calculated using the straight-line method to write down the cost of the asset to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset category	
Major banking infrastructure software	7 years
Other computer software	4 years

(l) Capital work in progress

Research costs are expensed as incurred. Development expenditures on an individual projects are recognised in capital work in progress when the Group can demonstrate:

- The technical feasibility of completing the capital project so that it will be available for use or sale;
- Its intention to complete and its ability to use the capital project;
- How the capital project will generate future economic benefits;
- The availability of resources to complete the capital project; and
- The ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

(m) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefits.

(n) Provisions

Employee benefits

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

Make good provision

A provision is made for the anticipated costs of restoring all leased premises to their original condition at the end of the lease term in current dollar values. The provision is assessed at each balance date for new, amended and expired leases. The estimate of the costs has been calculated using historical costs.

(o) Insurance accounting policies

Health Fund

Contribution income

Contribution income comprises contributions received from members, inclusive of Government rebate. Contribution income is recognised when earned over the period of the membership. Members are expected to pay on due dates according to method of payment. Contributions in advance amounts are recognised as revenue as the income is earned.

Benefits paid and claims liabilities

Benefits are recognised as an expense on approval of a valid claim. Unprocessed claims held by the fund and not yet entered into the processing system are provided for on a monthly basis.

The claim liabilities provide for the expected future payments in relation to claims reported but not yet paid and claims incurred but not yet reported with an allowance for claims handling expenses. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. The claim liabilities are measured as the central estimate of the expected future payments against claims incurred but not settled as at the reporting date under insurance contracts issued by the company, with an additional risk margin to allow for inherent uncertainty in the central estimate. It assumes that the development pattern of the current claims will be consistent with historical experience. Due to the short term nature of claims payments, no discount rate is applied to the calculation.

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowance for claims handling costs at 30 June 2013 is 1.95% of the claims liability (2012: 2.13%).

Under the provision of the private health insurance legislation, all private health insurers must participate in the Risk Equalisation Trust Fund. Through the Risk Equalisation Trust Fund, all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over and claims meeting the high cost claims criteria.

The amount payable to or receivable from the Risk Equalisation Trust fund is determined by the Private Health Insurance Administration Council (PHIAC) after the end of each quarter. Estimated provisions for amounts payable or receivable are provided for periods of which determinations have not yet been made, including an estimate of risk equalisation for unpresented and outstanding claims.

Insurance Company

Unearned premium

Unearned premium is calculated based on the remaining term of each policy which closely approximates the pattern of risks underwritten using the “rule of 78”. At each reporting date, the adequacy of the unearned premium liability is assessed on a net of reinsurance basis against the present value of the expected future

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

cash flows relating to potential future claims in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. If the unearned premium liability, less related intangible assets and deferred acquisition costs, is deficient, then the resulting deficiency is recognised in the statement of financial performance of the Company.

Claims liability

The claim liabilities provide for the expected future payments in relation to claims reported but not yet paid or assessed and claims incurred but not yet reported with an allowance for claims handling expenses. The claim liabilities are measured as the central estimate of the expected future payments against claims incurred but not settled as at the reporting date under insurance contracts issued by the company, with an additional risk margin to allow for inherent uncertainty in the central estimate. It assumes that the development pattern of the current claims will be consistent with historical experience. Due to the short term nature of claims payments, no discount rate is applied to the calculation.

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowance for claims handling costs on the business generated from Credicorp Insurance Pty Ltd at 30 June 2013 is 35.00% of the claims liability (2012: 35.00%). No allowance is held against business generated elsewhere as this is considered immaterial.

Insurance risk assumptions

The estimation of outstanding claims liabilities is based largely on the assumption that past claims settlement patterns are an appropriate predictor of expected future claims settlement patterns and involves a variety of techniques that analyse experience, trends and other relevant factors. The process for establishing the outstanding claims provision is reviewed annually.

The outstanding claims provision comprises a central estimate and risk margin. The central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. The risk margin is added to the central estimate of outstanding claims to achieve a desirable probability of adequacy.

Central estimates for each class of business are determined based on analysis of historical cost experience which assumes an underlying pattern of claims development and payment. The final selected central estimates are based on a judgmental consideration of the results and qualitative information.

The overall risk margin is determined after consideration of the uncertainty of the outstanding claims estimate with the objective of achieving at least 75% probability of adequacy (2012: 75%). The risk margin applied at 30 June 2013 is 20% (2012: 20%) which equates to $140,366 (2012: $140,099).

Financial assumptions used to determine outstanding claims provision

Due to the short term nature of the company's claims expense, discounting is not used in the outstanding claims liability methodology.

(p) Goods and Services Tax (GST)

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

Notes to the financial statements (continued)

For the year ended 30 June 2013

2. Statement of significant accounting policies (continued)

Summary of significant accounting policies (continued)

(q) Comparative figures

Where necessary, comparative figures have been reclassified and repositioned for consistency with the current year disclosures.

(r) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less cost to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Transaction costs have been expensed through the statement of financial performance.

(s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(t) Financial guarantees

Financial guarantee contracts are recognised as financial liabilities at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

Notes to the financial statements (continued)

For the year ended 30 June 2013

3. Significant accounting judgments and estimates

In the process of applying the Group's accounting policies management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of financial performance. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident.

The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, historical performance and economic outlook). The impairment loss on loans and advances is disclosed in more detail in Note 2 (f).

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available these assets are valued using valuation techniques based on non-observable data. Refer to Note 41 for additional disclosures.

Insurance claims payable

A liability is recorded at the end of the year for the estimated cost of claims incurred but not yet settled at the reporting date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established. Refer to Note 2(o) for additional disclosures.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with tax planning strategies. Refer to Note 18 for additional disclosures.

Notes to the financial statements (continued)

For the year ended 30 June 2013

4. Profit before income tax expense

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Other income:				
Dividends revenue	**2,540**	3,007	**4,340**	4,507
Bad debts recovered	**584**	533	**584**	533
Rental income	**3**	218	**419**	1,244
ATM income *	**-**	2,436	**-**	2,435
Other	**1,817**	2,819	**4,528**	6,250
	4,944	9,013	**9,871**	14,969
Personnel:				
Salaries, wages and other personnel costs	**77,518**	76,578	**72,303**	71,314
Superannuation	**6,847**	6,826	**6,462**	6,826
	84,365	83,404	**78,765**	78,140
Depreciation:				
Depreciation of buildings	**42**	40	**42**	40
Depreciation of plant and equipment	**8,917**	7,796	**8,851**	7,757
	8,959	7,836	**8,893**	7,797
Other expenses:				
Fee and commission expense	**17,070**	16,861	**16,867**	15,431
General administrative expenses	**35,536**	38,816	**33,451**	38,016
	52,606	55,677	**50,318**	53,447

* CUA sold its ATM network to Cuscal Limited in September 2011.

Notes to the financial statements (continued)

For the year ended 30 June 2013

5. Income tax expense

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Prima facie tax payable on Profit @ 30% (2012 @ 30%)	**23,591**	20,604	**21,227**	18,450
Adjust for tax effect of:				
Other non-allowable expenses	**58**	72	**55**	70
Non-deductible depreciation and amortisation	**-**	12	**-**	12
CUA Health Ltd net profit	**(2,028)**	(1,930)	**-**	-
Fully franked dividends received	**(762)**	(902)	**(1,302)**	(1,352)
Under/(over) provision in prior year	**291**	(172)	**327**	(213)
	21,150	17,684	**20,307**	16,967
The components of tax expense comprise:				
Current tax	**18,603**	16,964	**17,698**	16,251
Deferred tax	**2,547**	720	**2,609**	716
	21,150	17,684	**20,307**	16,967
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 18)	**589**	944	**651**	940
(Decrease)/increase in deferred tax liabilities (Note 24)	**1,958**	(224)	**1,958**	(224)
	2,547	720	**2,609**	716
Deferred tax related to items charged or credited to other comprehensive income during the year is as follows:				
Net gain/(loss) on financial assets - available for sale	**(18)**	41	**(18)**	41
Net gain/(loss) on cash flow hedges	**2,345**	(5,442)	**2,345**	(5,442)
	2,327	(5,401)	**2,327**	(5,401)

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Franking Account Balance	**184,126**	167,141	**180,242**	162,937

The ability to use these franking credits is restricted by the Constitution of CUA Ltd which does not currently permit dividend payment.

Notes to the financial statements (continued)

For the year ended 30 June 2013

6. Remuneration of auditors

The auditor of CUA Ltd is Ernst & Young.

	Consolidated		Parent	
	2013	2012	**2013**	2012
	$	$	**$**	$
Amounts received or due and receivable by Ernst & Young for:				
An audit or review of the financial report of the entity and any other entity in the consolidated group	**450,598**	401,175	**376,167**	270,753
Other services in relation to the entity and any other entity in the consolidated group				
Tax compliance	**86,205**	127,337	**73,720**	127,337
Regulatory	**114,833**	143,343	**46,951**	87,106
Other	**49,643**	104,716	**49,643**	71,122
	701,279	776,571	**546,481**	556,318
Amounts received or due and receivable by non Ernst & Young audit firms for:				
Internal audit	**345,653**	221,569	**345,653**	221,569
Taxation services	**137,949**	161,740	**137,949**	161,740
Other non-audit services	**935,429**	1,741,555	**807,010**	1,686,433
	1,419,031	2,124,864	**1,290,612**	2,069,742

7. Key management personnel

(a) CUA directors and named key management personnel

The names of CUA directors and named key management personnel (KMP) that have held office during the financial year are:

Directors

A.E.Beanland
C.Franks (resigned 14 December 2012)
C.M.Greer
E.A.Foster
N.I.Ampherlaw
P.G.Dowling
P.J.Bedbrook
M.T.Pratt (appointed 16 January 2013)
C.M.Whitehead (Executive director and CEO)

Key Management Personnel

C.M.Whitehead
D.A.Northey
D.L.Tsoubos
J.F.George
R.N.Juriansz (resigned 28 June 2013)
A.Taylor
D.J.Gee
R.P.M.Saville (resigned 22 March 2013)
S.Coulter
J.C.Murray (appointed 1 August 2012)
E.Pfister-Burkhalter (appointed 14 March 2013, resigned 14 August 2013)

Notes to the financial statements (continued)

For the year ended 30 June 2013

7. Key management personnel (continued)

(b) Compensation of CUA directors and named key management personnel

Compensation shown as short term benefits means (where applicable) wages and salaries, paid annual leave and paid sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements. CUA directors and named key management personnel are only remunerated by the parent entity.

	Directors		KMP	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
The aggregate compensation of named key management persons during the year comprising amount paid or payable or provided for was as follows:				
I. short term employee benefits	**655**	747	**3,432**	3,096
II. post employment benefits – superannuation	**49**	44	**198**	162
III. other long term benefits	**-**	-	**427**	79
IV. termination benefits	**85**	170	**7**	540
	789	961	**4,064**	3,877

Notes to the financial statements (continued)

For the year ended 30 June 2013

7. Key management personnel (continued)

(c) Loans to CUA directors and named key management personnel

CUA's policy for lending to CUA directors and named KMP is that all loans are approved under the same lending criteria applicable to members. All loans to CUA directors are at lending rates applicable to members. The named KMP may receive concessional rates of interest on their loans and facilities. These benefits are subject to fringe benefits tax with the total value of the benefit included in the compensation figures above.

There are no loans that are impaired in relation to the loan balances with CUA directors and named KMP.

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

	Parent	
	2013 $'000	2012 $'000
Aggregate of loans to CUA directors and named KMP as at balance date amounted to:	**7,859**	6,441
The total value of revolving credit facilities to CUA directors and named KMP as at balance date amounted to:	**879**	889
Less amounts drawn down	**667**	600
Net balance available	**212**	289
During the year the aggregate value of loans disbursed to CUA directors and named KMP amounted to:		
Revolving credit	**35**	(459)
Term loans	**-**	-
Interest and other revenue earned on loans and revolving credit facilities to CUA directors and named KMP	**470**	303
Total value of savings and term deposits from CUA directors and named KMP as at balance date	**2,349**	1,759
Total interest paid on deposits to CUA directors and named KMP	**65**	51

Notes to the financial statements (continued)

For the year ended 30 June 2013

7. Key management personnel (continued)

(d) Other transactions with CUA directors

CUA directors have received interest on deposits with CUA during the financial year as detailed above. Interest has been paid on terms and conditions no more favorable than those available on similar transactions to members of CUA.

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

There are no service contracts to which named KMP or their close family members are an interested party. This note should be read in conjunction with Notes 36 and 38 of the financial statements.

8. Cash and cash equivalents

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash on hand	**4,701**	5,611	**4,701**	5,611
Deposits on call due from Authorised Deposit Institutions	**61,815**	201,047	**61,485**	200,430
	66,516	206,658	**66,186**	206,041

Cash and cash equivalents include restricted balances of $47.8 million (2012: $41.9 million). The restricted cash represents deposits of $47.8 million held in securitisation trust collection accounts which are not available to CUA.

9. Financial assets – available for sale

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Shares in unlisted entities - carried at cost	**14,024**	14,024	**14,024**	14,024

10. Financial assets – fair value through profit or loss

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deposits with Authorised Deposit Institutions	**45,617**	49,711	**-**	-

Notes to the financial statements (continued)

For the year ended 30 June 2013

11. Financial assets – held to maturity

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Loans to subsidiary	**-**	-	**-**	994
Deposits with Authorised Deposit Institutions	**1,153,624**	988,509	**1,153,624**	981,584
	1,153,624	988,509	**1,153,624**	982,578

12. Derivative financial instruments

Interest rate swap contracts

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk:

	Assets 2013 $'000	**Liabilities 2013 $'000**	**Notional Amount 2013 $'000**	Assets 2012 $'000	Liabilities 2012 $'000	Notional Amount 2012 $'000
Derivatives used as cash flow hedges						
Interest rate swaps	**147**	**12,284**	**1,340,000**	-	23,314	1,465,000
	147	**12,284**	**1,340,000**	-	23,314	1,465,000

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Notes to the financial statements (continued)

For the year ended 30 June 2013

12. Derivative financial instruments (continued)

Cash flow hedges

The Group is exposed to variability in the future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. Below is a schedule indicating as at 30 June 2013, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

2013	**Within 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3-4 years $'000**	**4-5 years $'000**
Cash inflows	**31**	**22**	**203**	**-**	**-**
Cash outflows	**(10,270)**	**(2,096)**	**(27)**	**-**	**-**
Net cash flows	**(10,239)**	**(2,074)**	**176**	**-**	**-**

2012	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000
Cash inflows	565	-	-	-	-
Cash outflows	(13,851)	(8,447)	(1,581)	-	-
Net cash flows	(13,286)	(8,447)	(1,581)	-	-

The net gain/(loss) on derivatives through the statement of financial performance during the year was as follows:

	2013 $'000	2012 $'000
Net gain/(loss) on derivatives reclassified through income statement	**6,294**	2,661
Net gain/(loss) on ineffective hedges	**27**	(46)
Net gain on derivatives at fair value through profit or loss	**6,321**	2,615

13. Loans and advances

	Note	**Consolidated**		**Parent**	
		2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Overdrafts		**201,391**	76,907	**201,391**	76,907
Term loans		**8,376,012**	8,020,898	**8,376,002**	8,020,885
Gross loans and advances		**8,577,403**	8,097,805	**8,577,393**	8,097,792
Provision for impairment	14	**(5,890)**	(5,454)	**(5,880)**	(5,397)
Net Loans and Advances		**8,571,513**	8,092,351	**8,571,513**	8,092,395

Notes to the financial statements (continued)

For the year ended 30 June 2013

14. Impairment of loans and advances

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Provision for impairment				
Individual provision				
Opening balance	**2,216**	4,419	**2,159**	4,400
Impairment charge for the year	**3,213**	2,110	**3,173**	2,073
Bad debts written off	**(3,626)**	(4,313)	**(3,539)**	(4,314)
Closing balance	**1,803**	2,216	**1,793**	2,159
Collective provision				
Opening balance	**3,238**	3,528	**3,238**	3,528
Impairment charge for the year	**849**	-	**849**	-
Transfer to individual provision	**-**	(290)	**-**	(290)
Closing balance	**4,087**	3,238	**4,087**	3,238
Total Provision for impairment	**5,890**	**5,454**	**5,880**	**5,397**

15. Other receivables

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Accrued income	**162**	183	**162**	183
Sundry debtors	**9,873**	13,591	**1,708**	7,638
	10,035	13,774	**1,870**	7,821

16. Investments in controlled entities

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Shares in subsidiary	**-**	-	**800**	800

This note should be read in conjunction with Note 36 of the financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2013

17. Property, plant and equipment

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Land and buildings - at fair value	**8,497**	8,269	**8,497**	8,269
Accumulated depreciation	**(150)**	(108)	**(150)**	(108)
Land and buildings - at fair value	**8,347**	8,161	**8,347**	8,161
Plant and equipment - at cost	**59,364**	47,653	**59,079**	47,483
Accumulated depreciation	**(30,656)**	(30,571)	**(30,475)**	(30,489)
Plant and equipment	**28,708**	17,082	**28,604**	16,994
Capital work in progress	**40,955**	22,628	**40,955**	22,627
Total property, plant and equipment	**78,010**	47,871	**77,906**	47,782

Reconciliation of carrying amounts

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Land - carrying amount at beginning of financial year	**6,649**	6,649	**6,649**	6,649
Additions	**-**	-	**-**	-
Revaluations	**-**	-	**-**	-
Land - carrying amount at end of financial year	**6,649**	6,649	**6,649**	6,649
Buildings - carrying amount at beginning of financial year	**1,512**	1,552	**1,512**	1,552
Depreciation expense	**(42)**	(40)	**(42)**	(40)
Additions	**228**	-	**228**	-
Buildings - carrying amount at end of financial year	**1,698**	1,512	**1,698**	1,512
Total net carrying amount of land and buildings	**8,347**	8,161	**8,347**	8,161
Plant and equipment - carrying amount at beginning of financial year	**17,082**	22,941	**16,994**	22,844
Depreciation expense	**(8,917)**	(7,796)	**(8,851)**	(7,757)
Additions	**22,377**	7,523	**22,280**	7,482
Disposals	**(1,834)**	(5,586)	**(1,819)**	(5,575)
Plant and equipment - carrying amount at end of financial year	**28,708**	17,082	**28,604**	16,994

Notes to the financial statements (continued)

For the year ended 30 June 2013

17. Property, plant and equipment (continued)

Capital work in progress

The value of the capital work in progress relates mainly to the development of the CUA's new core banking system. Amounts are carried as work in progress until assets are commissioned in line with our account policy detailed in Note 2 (l). When these assets are commissioned they will be categorised between property, plant and equipment and intangible assets as appropriate.

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Capital work in progress - carrying amount at the beginning of financial year	**22,628**	4,841	**22,627**	4,762
Additions	**38,253**	20,861	**38,254**	20,861
Transfers to plant and equipment	**(19,926)**	(3,074)	**(19,926)**	(2,996)
Capital work in progress - carrying amount at end of financial year	**40,955**	22,628	**40,955**	22,627

Revaluation of freehold land and freehold buildings

The fair values of freehold land and freehold buildings have been determined by reference to director valuations, based upon independent valuations previously obtained. The independent valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction on the valuation date. It is the policy of the Group to have an independent valuation undertaken at least every four years. The effective date of the last independent revaluation was 30 June 2012. In 2013, the directors have determined based on external commercial property market data that there are no circumstances requiring an independent valuation and the current carrying value remains appropriate as at 30 June 2013.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cost	**5,559**	5,330	**5,559**	5,330
Accumulated depreciation	**(447)**	(380)	**(447)**	(380)
Net carrying amount	**5,112**	4,950	**5,112**	4,950

Notes to the financial statements (continued)

For the year ended 30 June 2013

18. Deferred tax assets

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deferred tax assets comprise temporary differences attributable to:				
- Doubtful debts	**4,960**	4,815	**4,960**	4,815
- Employee benefits	**4,146**	3,516	**4,146**	3,516
- Provisions	**1,774**	1,005	**1,700**	1,013
- Property, plant and equipment	**-**	1,654	**-**	1,653
- Derivatives	**3,372**	7,617	**3,372**	7,617
- Other	**232**	509	**212**	427
Total deferred tax assets	**14,484**	19,116	**14,390**	19,041
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 24)	**(1,127)**	(844)	**(1,127)**	(844)
Net deferred tax assets	**13,357**	18,272	**13,263**	18,197
Movements (charged)/credited				
- to profit or loss	**(589)**	(944)	**(651)**	(940)
- to income tax payable	**(41)**	81	**-**	-
- to other comprehensive income	**(2,345)**	5,442	**(2,345)**	5,442
	(2,975)	4,579	**(2,996)**	4,502
Unused tax losses for which no deferred tax asset has been recognised	**874**	886	**-**	-
Potential tax benefit @ 30%	**262**	266	**-**	-

All unused tax losses were incurred by Credicorp Finance Pty Ltd, an Australian entity that is not part of a tax consolidated group.

19. Intangible assets

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Computer Software at cost	**12,348**	10,169	**12,272**	10,011
Accumulated amortisation	**(8,619)**	(6,506)	**(8,581)**	(6,445)
	3,729	3,663	**3,691**	3,566
Reconciliation of carrying amounts				
Computer Software	**3,663**	2,166	**3,566**	2,107
Additions	**2,462**	3,345	**2,495**	3,267
Disposals	**-**	(102)	**-**	(102)
Amortisation expense	**(2,396)**	(1,746)	**(2,370)**	(1,706)
Net carrying amount	**3,729**	3,663	**3,691**	3,566

Notes to the financial statements (continued)

For the year ended 30 June 2013

20. Other assets

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Prepayments	**1,531**	1,693	**1,528**	1,693

21. Deposits

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Members' shares	**3,602**	3,587	**3,602**	3,587
Members' call deposits	**3,157,967**	2,963,686	**3,162,956**	2,972,546
Members' term deposits	**3,340,611**	3,248,352	**3,364,531**	3,258,364
Interest payable	**51,052**	53,135	**51,206**	53,293
	6,553,232	6,268,760	**6,582,295**	6,287,790

There is no concentration of customer or industry groups, which represent 10% or more of total liabilities.

The value of member shares above represents the amounts contributed for the purchase of a single voting share held by each member.

22. Borrowings

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Securitisation trust borrowings	**1,557,683**	1,637,618	**1,557,683**	1,633,174
Term borrowings	**1,009,840**	759,757	**1,009,840**	759,757
	2,567,523	2,397,375	**2,567,523**	2,392,931

Term borrowings are all at fixed interest rates and the majority mature within the six months following the statement of financial position date.

Notes to the financial statements (continued)

For the year ended 30 June 2013

23. Other payables

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Insurance claims payable	**6,357**	5,788	**-**	-
Unearned premiums	**7,436**	8,323	**-**	-
Trade creditors and accruals	**30,893**	20,437	**24,845**	13,848
	44,686	34,548	**24,845**	13,848

Insurance claims payable relates to CUA Health Ltd and Credicorp Insurance Pty Ltd. This amount represents a combination of a central estimate, risk margin and a probability of adequacy of at least 75% (2012: 75%) for both companies. The risk margins are 12.5% (2012: 12.5%) and 20% (2012: 20%) respectively for CUA Health Ltd and Credicorp Insurance Pty Ltd.

24. Deferred tax liability

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Deferred tax liability comprise temporary differences attributable to:				
- Available for sale mark to market	**-**	18	**-**	18
- Securitisation setup costs	**1,035**	826	**1,035**	826
- Property, plant and equipment	**92**	-	**92**	-
	1,127	844	**1,127**	844
Set-off of deferred tax liabilities pursuant to set-off provisions (Note 18)	**(1,127)**	(844)	**(1,127)**	(844)
Net deferred tax liabilities	**-**	-	**-**	-
Movements (charged)/credited				
- to profit and loss	**(1,958)**	224	**(1,958)**	224
- to other comprehensive income	**18**	(41)	**18**	(41)
	(1,940)	183	**(1,940)**	183

25. Income tax payable

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current income tax payable	**6,678**	3,657	**6,529**	3,730

Notes to the financial statements (continued)

For the year ended 30 June 2013

26. Provisions

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Employee benefits	**13,820**	11,974	**13,820**	11,974
Make good provision				
Opening balance	**3,225**	3,014	**3,225**	3,014
Additional provision recognised	**1,812**	220	**1,812**	220
Amounts used during the year	**(1,746)**	(9)	**(1,746)**	(9)
Net carrying amount	**3,291**	3,225	**3,291**	3,225
Total provisions	**17,111**	15,199	**17,111**	15,199

Make good provision

CUA is required to restore the leased premises of its branches and hub offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

27. Reserves

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Credit loss reserve	**11,511**	9,251	**11,511**	9,251
Redeemable preference share reserve	**2,447**	2,299	**2,447**	2,299
Available for sale reserve	**-**	50	**-**	50
Asset revaluation reserve	**2,086**	2,086	**2,086**	2,086
Cash flow hedge reserve	**(7,734)**	(13,215)	**(7,734)**	(13,215)
Business combination reserve	**9,590**	9,590	**9,590**	9,590
Closing balance	**17,900**	10,061	**17,900**	10,061

Nature and purpose of reserves

General reserve for credit losses

CUA is required by the Australian Prudential Regulation Authority (APRA) to maintain a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of reporting the general reserve for credit losses to APRA.

Redeemable preference share reserve

Under the Corporations Act 2001, redeemable preference shares (member shares) may only be redeemed out of the Credit Unions' profit or through the new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained earnings to the redeemed preference share reserve. The value of member shares for existing members is disclosed as a liability in Note 21.

Notes to the financial statements (continued)

For the year ended 30 June 2013

27. Reserves (continued)

Available for sale reserve

Comprises changes in fair value of available for sale investments.

Asset revaluation reserve

Represents gain on revaluation of property owned by the Group.

Cash flow hedge reserve

Comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Business combination reserve

This reserve is used to record mergers with other mutual entities. Identifiable assets and liabilities of the "acquired" mutual entities are recognised at their fair value at the date of the merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to equity as a business combination reserve.

28. Retained earnings

	Consolidated		**Parent**	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Opening balance	**683,612**	633,996	**628,024**	584,871
Net profit after tax	**57,485**	50,996	**50,449**	44,533
Transfer to credit loss reserve	**(2,260)**	(1,257)	**(2,260)**	(1,257)
Transfer to redeemable preference share reserve	**(148)**	(123)	**(148)**	(123)
Closing balance	**738,689**	683,612	**676,065**	628,024

Notes to the financial statements (continued)

For the year ended 30 June 2013

29. Maturity analysis of assets and liabilities

Consolidated Group - 2013

Assets	**Less than 12 months $'000**	**Over 12 months $'000**	**Total $'000**
Cash and cash equivalents	**66,516**	**-**	**66,516**
Financial assets - available for sale	**-**	**14,024**	**14,024**
Financial assets - fair value through profit or loss	**45,617**	**-**	**45,617**
Financial assets - held to maturity	**978,557**	**175,067**	**1,153,624**
Derivative financial instruments	**-**	**147**	**147**
Loans and advances	**144,406**	**8,427,107**	**8,571,513**
Other receivables	**10,035**	**-**	**10,035**
Property, plant and equipment	**-**	**78,010**	**78,010**
Deferred tax assets	**-**	**13,357**	**13,357**
Intangible assets	**-**	**3,729**	**3,729**
Other assets	**1,531**	**-**	**1,531**
Total Assets	**1,246,662**	**8,711,441**	**9,958,103**
Liabilities			
Derivative financial instruments	**6,025**	**6,259**	**12,284**
Deposits	**6,339,225**	**214,007**	**6,553,232**
Borrowings	**1,278,459**	**1,289,064**	**2,567,523**
Other payables	**39,777**	**4,909**	**44,686**
Income tax payable	**6,678**	**-**	**6,678**
Provisions	**12,725**	**4,386**	**17,111**
Total Liabilities	**7,682,889**	**1,518,625**	**9,201,514**

Consolidated Group - 2012

Assets	Less than 12 months $'000	Over 12 months $'000	Total $'000
Cash and cash equivalents	206,658	-	206,658
Financials assets - available for sale	-	14,024	14,024
Financial assets - fair value through profit or loss	49,711	-	49,711
Financial assets - held to maturity	789,763	198,746	988,509
Loans and advances	177,215	7,915,136	8,092,351
Other receivables	13,774	-	13,774
Property, plant and equipment	-	47,871	47,871
Deferred tax assets	-	18,272	18,272
Intangible assets	-	3,663	3,663
Other assets	1,693	-	1,693
Total Assets	1,238,814	8,197,712	9,436,526
Liabilities			
Derivative financial instruments	7,374	15,940	23,314
Deposits	5,948,710	320,050	6,268,760
Borrowings	2,040,003	357,372	2,397,375
Other payables	29,556	4,992	34,548
Income tax payable	3,657	-	3,657
Provisions	10,034	5,165	15,199
Total Liabilities	8,039,334	703,519	8,742,853

Notes to the financial statements (continued)

For the year ended 30 June 2013

29. Maturity analysis of assets and liabilities (continued)

Parent - 2013

Assets	**Less than 12 months $'000**	**Over 12 months $'000**	**Total $'000**
Cash and cash equivalents	**66,186**	**-**	**66,186**
Financial assets - available for sale	**-**	**14,024**	**14,024**
Financial assets - held to maturity	**978,557**	**175,067**	**1,153,624**
Derivative financial instruments	**-**	**147**	**147**
Loans and advances	**144,406**	**8,427,107**	**8,571,513**
Other receivables	**1,870**	**-**	**1,870**
Investments in controlled entities	**-**	**800**	**800**
Property, plant and equipment	**-**	**77,906**	**77,906**
Deferred tax assets	**-**	**13,263**	**13,263**
Intangible assets	**-**	**3,691**	**3,691**
Other assets	**1,528**	**-**	**1,528**
Total Assets	**1,192,547**	**8,712,005**	**9,904,552**
Liabilities			
Derivative financial instruments	**6,025**	**6,259**	**12,284**
Deposits	**6,368,288**	**214,007**	**6,582,295**
Borrowings	**1,278,458**	**1,289,065**	**2,567,523**
Other payables	**24,320**	**525**	**24,845**
Income tax payable	**6,529**	**-**	**6,529**
Provisions	**12,725**	**4,386**	**17,111**
Total Liabilities	**7,696,345**	**1,514,242**	**9,210,587**

Parent - 2012

Assets	Less than 12 months $'000	Over 12 months $'000	Total $'000
Cash and cash equivalents	206,041	-	206,041
Financials assets - available for sale	-	14,024	14,024
Financial assets - held to maturity	742,884	239,694	982,578
Loans and advances	177,215	7,915,180	8,092,395
Other receivables	7,821	-	7,821
Investments in controlled entities	-	800	800
Property, plant and equipment	-	47,782	47,782
Deferred tax assets	-	18,197	18,197
Intangible assets	-	3,566	3,566
Other assets	1,693	-	1,693
Total Assets	1,135,654	8,239,243	9,374,897
Liabilities			
Derivative financial instruments	7,374	15,940	23,314
Deposits	5,967,740	320,050	6,287,790
Borrowings	2,035,559	357,372	2,392,931
Other payables	13,848	-	13,848
Income tax payable	3,730	-	3,730
Provisions	10,034	5,165	15,199
Total Liabilities	8,038,285	698,527	8,736,812

Notes to the financial statements (continued)

For the year ended 30 June 2013

30. Commitments

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
(a) Lease expenditure commitments not provided for:				
Operating leases (non-cancellable) for office and branch properties				
- not later than 1 year	**13,181**	14,062	**13,181**	14,062
- later than 1 and not later than 5 years	**33,848**	31,686	**33,848**	31,686
- later than 5 years	**22,718**	15,737	**22,718**	15,737
	69,747	61,485	**69,747**	61,485
(b) Outstanding Loan Commitments not provided for:				
Loan and credit facilities approved but not funded or drawn at the end of the financial year:				
- Loans approved but not funded at call	**181,706**	189,045	**181,706**	189,045
- Undrawn overdrafts and credit facilities at call	**234,459**	241,577	**234,459**	241,577

(c) Capital Commitments

At 30 June 2013, the Group had a commitment of $2.9 million (2012: $4.9 million) predominantly relating to the implementation of core banking system and other IT related projects.

31. Statement of cash flows reconciliation

	Consolidated		Parent	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Net profit/(loss) after income tax	**57,485**	50,996	**50,449**	44,533
Adjustments:				
Depreciation and amortisation	**11,355**	9,582	**11,263**	9,503
Impairment of loans and advances	**4,062**	1,820	**4,022**	1,783
Derivative financial instruments	**(6,321)**	(2,615)	**(6,321)**	(2,615)
Loss on sale of fixed assets	**1,647**	-	**1,632**	-
Dividend received	**(2,540)**	(3,007)	**(4,340)**	(4,507)
Capitalised borrowing costs	**(1,200)**	-	**(1,200)**	-
(Increase)/Decrease Other receivables	**1,654**	3,345	**4,153**	2,985
Increase/(Decrease) Other payables and other non-cash items	**10,763**	14,143	**11,621**	9,133
(Increase)/Decrease Loans and advances	**(483,224)**	(290,538)	**(483,140)**	(290,550)
(Increase)/Decrease Prepayments	**162**	(28)	**165**	(49)
Increase/(Decrease) Income tax payable	**3,021**	445	**2,799**	570
(Increase)/Decrease Deferred tax asset	**4,934**	(4,761)	**4,953**	(4,684)
Increase/(Decrease) Provisions	**1,912**	58	**1,912**	58
Net cash provided by/(used in) operating activities	**(396,290)**	(220,560)	**(402,032)**	(233,840)

Notes to the financial statements (continued)

For the year ended 30 June 2013

31. Statement of cash flows reconciliation (continued)

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:

- movement in members' deposits;
- sales and purchases of investment securities;
- movement in borrowings; and
- provision of member loans and repayments.

32. Superannuation commitments

CUA contributes to a number of defined contribution superannuation funds, which provide benefits for employees on retirement, death or disability. Employees may contribute additional amounts of their gross income to their respective superannuation fund. CUA has no financial interest in any of the funds and is not liable for their performance or their obligations.

33. Events after the statement of financial position date

No circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34. Standby borrowing facilities

In the normal course of business CUA enters into various types of contracts which give rise to the following standby facilities:

	Consolidated		**Parent**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Standby and overdraft arrangements				
(i) Overdraft				
Approved limit	**10,000**	10,000	**10,000**	10,000
Amount utilised	**-**	-	**-**	-
(ii) Wholesale Funding				
a) Cuscal Ltd				
Approved limit	**75,000**	75,000	**75,000**	75,000
Amount utilised	**50,000**	50,000	**50,000**	50,000
b) Questor Financial Services Ltd				
Approved limit	**40,000**	40,000	**40,000**	40,000
Amount utilised	**39,000**	40,000	**39,000**	40,000
(iii) Waratah Finance Pty Ltd				
Approved limit	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Amount utilised	**184,532**	534,733	**184,532**	534,733
(iv) Reserve Bank Australia (2012 Trust internal securitisation)				
Approved limit	**405,207**	246,003	**405,207**	246,003
Amount utilised	**-**	-	**-**	-

Notes to the financial statements (continued)

For the year ended 30 June 2013

34. Standby borrowing facilities (continued)

Cuscal Limited undertakes settlement services on behalf of CUA and provides some of the standby and overdraft arrangements detailed above. Security for these banking facilities is supported by way of a fixed and floating charge over the assets and undertakings of CUA. The value of calls made under this charge during the financial year was nil (2012 - nil).

35. Contingent assets and liabilities

CUA is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the scheme is to protect the interests of credit union members, increase stability in the industry and to provide emergency liquidity support. As a participant in CUFSS, CUA:

(a) May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another credit union requiring financial support;
(b) May be required to advance permanent loans of up to 0.2% of total assets per financial year to another credit union requiring financial support; and
(c) Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

The following guarantees and undertakings are extended to certain entities in the Group by the Parent Entity:

- Guarantee to a wholly owned subsidiary that is an Australian Financial Services licensee to comply with regulatory requirement. The guarantee will only give rise to a liability where the entity concerned becomes unable to meet its creditor obligations in the normal course of business.

- Undertaking to the Australian Prudential Regulation Authority (APRA) that it will provide additional capital, if necessary, in relation to a wholly owned subsidiary.

- These guarantees and undertakings were subsequently withdrawn with effect from 24 July 2013 as they are no longer required by the subsidiaries going forward.

There were no contingent assets during the financial year.

36. Particulars in relation to controlled entities

The consolidated financial statements include the financial statements of the ultimate parent Credit Union Australia Ltd and the subsidiaries listed in the following table:

Investments in controlled entities

	Equity interest %		**Investment $'000**	
Name of entity	**2013**	2012	**2013**	2012
CUA Health Ltd	**100%**	100%		
Credicorp Finance Pty Ltd	**100%**	100%	**800**	800
Credicorp Insurance Pty Ltd	**100%**	100%		
CUA Financial Planning Pty Ltd	**100%**	100%		
			800	800

All entities are incorporated in Australia.

This note should be read in conjunction with Notes 16 and 38 of the financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2013

36. Particulars in relation to controlled entities (continued)

The following securitisation trusts are controlled by CUA:

- Series 2006-1 Harvey Trust
- Series 2007-1 Harvey Trust
- Series 2009-1 Harvey Trust
- Series 2010-1 Harvey Trust
- Series 2012-1R Harvey Trust
- Series 2013-1 Harvey Trust
- Harvey Warehouse Trust No. 1

37. Economic dependency

CUA has significant service contracts with Cuscal Ltd. This entity provides CUA with rights to VISA card system in Australia and provides settlement services with other financial institutions for ATM, VISA card transactions, BPay, cheque processing and direct entry transactions.

38. Related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year. These transactions were all carried out under normal commercial terms and where possible are benchmarked against industry averages. This note should be read in conjunction with Notes 16 and 36 of the financial statements.

Parent entity	Year	Sales to related parties $	Purchases from related parties $	Other transactions $
Dividend paid to CUA by Credicorp Finance Pty Ltd	**2013**	**-**	**-**	**1,800,000**
	2012	-	-	1,500,000
Dividend paid to Credicorp Finance Pty Ltd by Credicorp Insurance Pty Ltd and CUA Financial Planning Pty Ltd	**2013**	**-**	**-**	**2,100,000**
	2012	-	-	2,100,000
Rental paid to CUA by CUA Financial Planning Pty Ltd, CUA Health Ltd and Credicorp Insurance Pty Ltd	**2013**	**-**	**-**	**416,542**
	2012	-	-	373,404
Management charges paid to CUA by CUA Health Ltd, Credicorp Finance Pty Ltd and Credicorp Insurance Pty Ltd	**2013**	**-**	**-**	**3,037,119**
	2012	-	-	5,524,511
Interest paid on investments held with CUA on behalf of CUA Financial Planning Pty Ltd, CUA Health Ltd, Credicorp Insurance Pty Ltd and Credicorp Finance Pty Ltd	**2013**	**-**	**708,055**	**-**
	2012	-	1,196,271	-
Interest received by CUA relating to interest charged on loans held with Credicorp Finance Pty Ltd	**2013**	**7,088**	**-**	**-**
	2012	41,257	-	-
Commission received by CUA from Credicorp Insurance Pty Ltd and CUA Health Ltd	**2013**	**4,332,466**	-	-
	2012	1,430,778	-	-
Trust management fees paid by the Harvey Securitisation Trusts to CUA Financial Planning Pty Ltd (as Trust Manager)	**2013**	**-**	**566,626**	-
	2012	-	564,776	-

Notes to the financial statements (continued)

For the year ended 30 June 2013

38. Related parties (continued)

		Amounts owed to CUA $	Amounts owed by CUA $
CUA Health Ltd	**2013**	**1,957,192**	**-**
	2012	153,606	-
Credicorp Finance Pty Ltd	**2013**	**-**	**69,698**
	2012	-	610,039
Credicorp Insurance Pty Ltd	**2013**	**-**	**501,752**
	2012	-	718,563
CUA Financial Planning Pty Ltd	**2013**	**-**	**35,616**
	2012	-	123,510

39. Risk management

Risk management policy objectives

The Group's financial instruments, other than derivatives, comprise of loans, investments, borrowings, shares, overdrafts and deposits. Details on the Group's approach to managing these risks are detailed below.

Market risk and hedging policy

CUA is not exposed to currency risk or equity risk and the Credit Union does not trade in the financial instruments it holds on its books. CUA is exposed to interest rate risk arising from changes in market interest rates. As part of its financial risk management, CUA partakes in Pay Fixed Receive Floating Swaps to hedge the interest rate risk associated with offering longer term fixed rate loans funded by shorter term liabilities. In transacting the swaps, movements in the shorter term funding are offset with the floating leg of the swap.

CUA uses the Value at Risk (VaR) methodology for quantifying interest rate risk in terms of the potential for loss given the statistical worst-case probability of a shift in the underlying interest rates. The VaR Model uses the variance/covariance approach with underlying assumptions of the model including a 20 day holding period at a 99% confidence level for a 250 day observation period.

The VaR includes assumptions around prepayment risk. Prepayment risk is the risk that the credit union will incur a financial loss because its members and counterparties repay or request repayment earlier than expected, such as fixed interest rates when interest rates fall. The level of repayments used in the model are monitored and reviewed monthly. A change to the modeled prepayment speeds will be considered by the ALCO whenever a "significant change" in the actual prepayment speeds is identified. A "significant change" would be one in which the monthly monitoring of actual prepayment speeds indicated that the present speeds may be at least 10% different from the modeled speeds. A ten basis point move in prepayment speeds with all other assumptions remaining constant alters the VaR result by 0.09%.

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Market risk and hedging policy (continued)

The policy of the Group is to set a maximum benchmark VaR as a percentage of its capital that is acceptable to the Board given its risk attitude and objectives. Derivatives being interest rate swaps, are used to hedge certain interest rate exposures. These hedges assist in maintaining the VaR within acceptable limits as set by the Board.

The below table represents the average, maximum and minimum VaR over the financial year for interest rate risk.

Credit Union		**2013**			2012	
	Average	**Max**	**Min**	Average	Max	Min
VaR%	0.79%	1.05%	0.66%	1.10%	1.28%	0.96%

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities. These assets and liabilities are included at carrying amount and categorised by contractual repricing dates.

Consolidated

Repricing period at 30 June 2013	**At Call/ Variable**	**Fixed interest rate maturing**			**Non interest sensitive**	**Total**
		Within 1 Year	**1 to 5 Years**	**Over 5 Years**		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash and cash equivalents	**61,815**	**-**	**-**	**-**	**4,701**	**66,516**
Financial assets - available for sale	**-**	**-**	**-**	**-**	**14,024**	**14,024**
Financial assets - fair value through profit or loss	**-**	**45,617**	**-**	**-**	**-**	**45,617**
Financial assets - held to maturity	**-**	**1,153,624**	**-**	**-**	**-**	**1,153,624**
Derivative financial instruments	**-**	**147**	**-**	**-**	**-**	**147**
Loans and advances (Gross - Note 13)	**5,031,325**	**1,623,925**	**1,894,916**	**27,237**	**-**	**8,577,403**
Total Assets	**5,093,140**	**2,823,313**	**1,894,916**	**27,237**	**18,725**	**9,857,331**
Liabilities						
Derivative financial instruments	**-**	**12,284**	**-**	**-**	**-**	**12,284**
Deposits	**3,161,597**	**3,181,231**	**210,404**	**-**	**-**	**6,553,232**
Commitments	**416,165**	**-**	**-**	**-**	**69,747**	**485,912**
Borrowings	**1,746,837**	**819,682**	**1,004**	**-**	**-**	**2,567,523**
Total Liabilities	**5,324,599**	**4,013,197**	**211,408**	**-**	**69,747**	**9,618,952**

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Market risk and hedging policy (continued)

Consolidated (continued)

Repricing period at 30 June 2012	At Call/ Variable	Fixed interest rate maturing			Non interest sensitive	Total
		Within 1 Year	1 to 5 Years	Over 5 Years		
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	201,047	-	-	-	5,611	206,658
Financial assets - available for sale	-	-	-	-	14,024	14,024
Financial assets - fair value through profit or loss	-	49,711	-	-	-	49,711
Financial assets - held to maturity	-	789,762	198,747	-	-	988,509
Loans and advances (Gross - Note 13)	4,547,971	919,204	2,630,630	-	-	8,097,805
Total Assets	**4,749,018**	**1,758,677**	**2,829,377**	**-**	**19,635**	**9,356,707**
Liabilities						
Derivative financial instruments	23,314	-	-	-	-	23,314
Deposits	2,963,750	2,984,960	316,463	-	3,587	6,268,760
Commitments	430,622	-	-	-	61,485	492,107
Borrowings	1,637,618	759,757	-	-	-	2,397,375
Total Liabilities	**5,055,304**	**3,744,717**	**316,463**	**-**	**65,072**	**9,181,556**

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Market risk and hedging policy (continued)

Parent

Repricing period at 30 June 2013	At Call/ Variable	Fixed interest rate maturing			Non interest sensitive	Total
		Within 1 Year	1 to 5 Years	Over 5 Years		
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	61,485	-	-	-	4,701	66,186
Financial assets - available for sale	-	-	-	-	14,024	14,024
Financial assets - held to maturity	-	1,153,624	-	-	-	1,153,624
Derivative financial instruments	-	147	-	-	-	147
Loans and advances (Gross - Note 13)	5,031,315	1,623,925	1,894,916	27,237		8,577,393
Total Assets	5,092,800	2,777,696	1,894,916	27,237	18,725	9,811,374
Liabilities						
Derivative financial instruments	-	12,284	-	-	-	12,284
Deposits	3,166,584	3,205,306	210,405	-	-	6,582,295
Commitments	416,165	-	-	-	69,747	485,912
Borrowings	1,746,837	819,682	1,004	-	-	2,567,523
Total Liabilities	5,329,586	4,037,272	211,409	-	69,747	9,648,014

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Market risk and hedging policy (continued)

Parent (continued)

Repricing period at 30 June 2012	At Call/ Variable	Fixed interest rate maturing			Non interest sensitive	Total
		Within 1 Year	1 to 5 Years	Over 5 Years		
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	200,430	-	-	-	5,611	206,041
Financial assets - available for sale	-	-	-	-	14,024	14,024
Financial assets - held to maturity	-	742,883	238,855	-	840	982,578
Loans and advances (Gross - Note 13)	4,547,960	919,202	2,630,630	-		8,097,792
Total Assets	**4,748,390**	**1,662,085**	**2,869,485**	**-**	**20,475**	**9,300,435**
Liabilities						
Derivative financial instruments	23,314	-	-	-	-	23,314
Deposits	2,972,610	2,995,130	316,463	-	3,587	6,287,790
Commitments	430,622	-	-	-	61,485	492,107
Borrowings	1,633,174	759,757	-	-	-	2,392,931
Total Liabilities	**5,059,720**	**3,754,887**	**316,463**	**-**	**65,072**	**9,196,142**

Credit Risk

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Group sets aside provisions for loans in accordance with its internal policies and procedures, which comply with the Australia Prudential Regulation Authority's Prudential Standard APS 220 Credit Quality. The fair value of the collateral held against past due or impaired loans is capped at the loan amount outstanding to the extent that CUA is obliged to repay the surplus to the member.

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2013:

Class of Asset	*Past due but not impaired $'000*			
	Less than 28 days	28-90 days	More than 90 days	Total
Past due amount held at amortised cost	**30,091**	**61,087**	**4,006**	**95,184**
TOTAL	**30,091**	**61,087**	**4,006**	**95,184**

The table represents an ageing analysis of assets past due but not impaired as at 30 June 2012:

Class of Asset	*Past due but not impaired $'000*			
	Less than 28 days	28-90 days	More than 90 days	Total
Past due amount held at amortised cost	128,203	35,480	5,263	168,946
TOTAL	128,203	35,480	5,263	168,946

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Credit risk – counterparty concentration

Counterparty concentration risk is monitored daily by the Treasury and Risk Departments and monthly by the Asset and Liability Committee ("ALCO"). Limits are set by the Board based on credit ratings and the duration of the investment. These limits adhere to APRA's APS 221 – Large Exposure Standard. There have been no breaches of APS 221 during the financial year. The maximum exposure is limited to the carrying amount in the statement of financial position.

To facilitate the requirements of participation in CUFSS (refer Note 34), CUA has deposits and investments with Cuscal Ltd of $261 million (2012: $325 million).

Credit risk – loan portfolio

The following table shows CUA's Loan to Value Ratio's (LVR) on its residential term loan portfolio.

	Consolidated	
	2013	2012
Loan to Value Ratio	**$'000**	$'000
LVR 0% - 60%	**2,078,463**	2,003,402
LVR 60.01% - 80%	**4,130,531**	3,939,955
LVR 80.01% - 90%	**1,162,575**	1,049,127
LVR 90.01% - 100%	**754,398**	592,502
LVR > 100%	**26,082**	23,583
	8,152,049	7,608,569

During the year, CUA took possession of properties with a carrying value of $2.76 million (2012: $1.69 million).

Credit quality by class of financial assets

CUA manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on CUA's internal credit rating system. The amounts are presented gross of impairment allowances.

Consolidated Group - 2013	Neither past due nor impaired			Past due but not impaired	Individually Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	2013	2013	2013	2013	2013	2013
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	**66,516**	**-**	**-**	**-**	**-**	**66,516**
Financial assets - available for sale	**14,024**	**-**	**-**	**-**	**-**	**14,024**
Financial assets - fair value through profit or loss	**45,617**	**-**	**-**	**-**	**-**	**45,617**
Financial assets - held to maturity	**1,153,624**	**-**	**-**	**-**	**-**	**1,153,624**
Derivative financial instruments	**147**	**-**	**-**	**-**	**-**	**147**
Loans and advances:						
Residential mortgages	**-**	**7,725,293**	**303,340**	**78,608**	**44,808**	**8,152,049**
Commercial lending	**-**	**47,699**	**5,930**	**8,864**	**84**	**62,577**
Personal lending	**-**	**336,584**	**14,821**	**7,712**	**3,660**	**362,777**
Total	**1,279,928**	**8,109,576**	**324,091**	**95,184**	**48,552**	**9,857,331**

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Credit quality by class of financial assets (continued)

Consolidated Group - 2012	Neither past due nor impaired			Past due but not impaired	Individually Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	2012	2012	2012	2012	2012	2012
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	206,658	-	-	-	-	206,658
Financial assets - available for sale	14,024	-	-	-	-	14,024
Financial assets - fair value through profit or loss	49,711	-	-	-	-	49,711
Financial assets - held to maturity	988,509	-	-	-	-	988,509
Loans and advances:						
Residential mortgages	-	7,258,703	145,675	154,717	49,474	7,608,569
Commercial lending	-	99,295	1,353	7,746	346	108,740
Personal lending	-	352,441	18,763	6,483	2,809	380,496
Total	1,258,902	7,710,439	165,791	168,946	52,629	9,356,707

Parent - 2013	Neither past due nor impaired			Past due but not impaired	Individually Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	2013	2013	2013	2013	2013	2013
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	**66,186**	**-**	**-**	**-**	**-**	**66,186**
Financial assets - available for sale	**14,024**	**-**	**-**	**-**	**-**	**14,024**
Financial assets - held to maturity	**1,153,624**	**-**	**-**	**-**	**-**	**1,153,624**
Derivative financial instruments	**147**	**-**	**-**	**-**	**-**	**147**
Loans and advances:						
Residential mortgages	**-**	**7,725,293**	**303,340**	**78,608**	**44,808**	**8,152,049**
Commercial lending	**-**	**47,699**	**5,930**	**8,864**	**84**	**62,577**
Personal lending	**-**	**336,574**	**14,821**	**7,712**	**3,660**	**362,767**
Total	**1,233,981**	**8,109,566**	**324,091**	**95,184**	**48,552**	**9,811,374**

Parent - 2012	Neither past due nor impaired			Past due but not impaired	Individually Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	2012	2012	2012	2012	2012	2012
Assets	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	206,041	-	-	-	-	206,041
Financials assets - available for sale	14,024	-	-	-	-	14,024
Financial assets - held to maturity	982,578	-	-	-	-	982,578
Loans and advances:						
Residential mortgages	-	7,258,701	145,675	154,717	49,474	7,608,567
Commercial lending	-	99,295	1,353	7,746	346	108,740
Personal lending	-	352,430	18,763	6,483	2,809	380,485
Total	1,202,643	7,710,426	165,791	168,946	52,629	9,300,435

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Credit Risk – geographical analysis

The risk of losses from loans granted is primarily reduced by the nature and quality of the security taken. That is, the security for all loans is fully insured. This is initially achieved on the financing of a loan, by proof of insurance being required before funding occurs. The borrower is then required to maintain this insurance, however to enable full coverage to be maintained at all times, an independent mortgagee coverage has also been taken out by the parent entity CUA. The maximum exposure is no different to the carrying values of the loans. CUA is of the opinion that there is no undue concentration of risk by way of geographical area or account holder groupings. Specific risk reports are prepared and distributed in order to ensure that the business has access to necessary and comprehensive information. The table below shows the geographical split of gross loans and advances of the Group.

State	**2013**		2012	
	Housing Loans $'000	**Other Loans $'000**	Housing Loans $'000	Other Loans $'000
New South Wales	**2,268,982**	**109,793**	2,114,404	141,711
Victoria	**1,675,460**	**79,584**	1,558,035	97,139
Queensland	**3,685,225**	**210,737**	3,473,528	218,724
South Australia	**26,383**	**811**	23,120	1,373
Western Australia	**337,843**	**16,547**	295,044	21,336
Tasmania	**12,454**	**608**	11,132	742
Northern Territory	**17,722**	**1,012**	17,317	1,153
ACT	**85,109**	**4,139**	76,901	5,006
Other	**42,871**	**2,123**	39,088	2,052
TOTAL	**8,152,049**	**425,354**	7,608,569	489,236

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due to a mismatch in cash flows. The primary liquidity objective is to fund in a way that will facilitate growth in core business under a wide range of market conditions.

ALCO maintains oversight of asset and liability management including liquidity management. The Group's liquidity policies are approved by the Board after endorsement by ALCO. Policies and limits are consistent with the requirements of APRA's APS 210 Liquidity. During the past year the credit union did not breach these requirements.

Funding and liquidity management is performed centrally within the Treasury Department, with oversight from the Risk Department and ALCO. Treasury manages liquidity on a daily basis and Risk provides daily information to the Chief Financial Officer and Chief Risk Officer, and monthly information to both ALCO and the Board. To facilitate the liquidity management process, investments are placed with approved deposit taking institutions (ADIs) regulated by APRA. The extent to which CUA will invest its liquid investments in any one institution is based upon predetermined exposure limits with reference to the ADIs independent credit rating.

The following table shows the period in which different monetary 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. For term loans the below dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Consolidated Group - 2013	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Over 5 years $'000**	**No maturity $'000**	**Total $'000**
Liabilities							
Derivative financial instruments	2,231	2,615	5,796	1,780	-	-	12,422
Members' shares	-	-	-	-	-	3,602	3,602
Members' call deposits	3,157,993	-	-	-	-	-	3,157,993
Members' term deposits	407,895	785,622	1,987,715	210,405	-	-	3,391,637
Borrowings	256,777	451,649	570,033	715,870	573,194	-	2,567,523
Total Financial Liabilities	**3,824,896**	**1,239,886**	**2,563,544**	**928,055**	**573,194**	**3,602**	**9,133,177**
Consolidated Group - 2012	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Derivative financial instruments	1,205	2,799	9,282	10,028	-	-	23,314
Members' shares	-	-	-	-	-	3,587	3,587
Members' call deposits	2,963,686	-	-	-	-	-	2,963,686
Members' term deposits	596,738	809,584	1,578,702	316,463	-	-	3,301,487
Borrowings	165,420	280,843	548,938	519,741	882,433	-	2,397,375
Total Financial Liabilities	**3,727,049**	**1,093,226**	**2,136,922**	**846,232**	**882,433**	**3,587**	**8,689,449**

Notes to the financial statements (continued)

For the year ended 30 June 2013

39. Risk management (continued)

Liquidity risk (continued)

Parent - 2013	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Over 5 years $'000	No maturity $'000	Total $'000
Liabilities							
Derivative financial instruments	2,231	2,615	5,796	1,780	-	-	12,422
Members' shares	-	-	-	-	-	3,602	3,602
Members' call deposits	3,162,982	-	-	-	-	-	3,162,982
Members' term deposits	410,776	789,744	2,004,786	210,405	-	-	3,415,711
Borrowings	256,777	451,649	570,033	715,870	573,194	-	2,567,523
Total Financial Liabilities	**3,832,766**	**1,244,008**	**2,580,615**	**928,055**	**573,194**	**3,602**	**9,162,240**

Parent - 2012	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Liabilities							
Derivative financial instruments	1,205	2,799	9,282	10,028	-	-	23,314
Members' shares	-	-	-	-	-	3,587	3,587
Members' call deposits	2,972,546	-	-	-	-	-	2,972,546
Members' term deposits	599,222	815,752	1,580,220	316,463	-	-	3,311,657
Borrowings	165,420	280,843	501,905	519,741	925,022	-	2,392,931
Total Financial Liabilities	**3,738,393**	**1,099,394**	**2,091,407**	**846,232**	**925,022**	**3,587**	**8,704,035**

Insurance risk

The provision of private health insurance in Australia is governed by the Private Health Insurance Act 2007 (The Act) which is premised on the fundamental principal of community rating.

Community rating is the system by which premiums for Australian Private Health Insurance (PHI) are set. In principle, this is a system where the premium charged for a particular group of people does not depend on the risk profile of that particular group. The intention is to achieve one premium rate irrespective of age, gender, occupation, health status, smoking status, number of dependents, pre-existing illness or other common risk-rating factors. The “principles of community rating” are referred to in the Act.

Given the regulated nature of private health insurance in Australia, compliance with the regulations is included in the Group’s risk management strategy and is a way that the Group mitigates its exposure to insurance risk.

The Group manages the risk by monitoring the prepayment rate on the loans and taking the rate into account when adapting appropriate hedging strategies.

Collateral

CUA has advanced $15.12 million as collateral in relation to interest rate swaps for securitisation trusts under the usual terms and conditions applying to such agreements. The funds will be returned at maturity of the interest rate swap contract.

Notes to the financial statements (continued)

For the year ended 30 June 2013

40. Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the Group's capital management are to ensure that the credit union maintains sufficient capital resources to support the Group's business activities and operational requirements, to ensure continuous compliance with externally imposed capital ratios and that the Group maintains healthy capital ratios to support its business. The credit union uses capital to reinvest in the business to enhance products and services supplied to the members of the credit union.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by APRA in supervising the credit union. During the past year, the credit union has complied in full with all its externally imposed capital requirements.

	Consolidated Group	
	As at June 2013	As at June 2012
Risk weighted capital ratios		
Tier 1	**14.66%**	14.66%
Tier 2	**0.29%**	0.05%
Total capital ratio	**14.95%**	14.71%
	$'000	$'000
Qualifying capital		
Tier 1	**620,093**	595,824
Tier 2	**12,261**	1,984
Total qualifying capital	**632,354**	597,808
Total risk weighted assets	**4,230,712**	4,064,463

Notes to the financial statements (continued)

For the year ended 30 June 2013

41. Fair value of financial instruments

Disclosed below is the fair value of the Group and Parent financial instruments.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and cash equivalents: The carrying amount approximates fair value as they are short term in nature or are receivable on demand.

Financial assets available for sale: The assets in this category relate to shares in non-listed entities and therefore have no active market. They are bought to account at cost as fair value cannot be measured reliably. Impairment is tested annually.

Financial assets fair value through profit or loss: These assets relate to general insurance assets backing general insurance liabilities and are therefore designated at fair value through profit or loss to reduce the accounting mismatch between assets and related liabilities. These assets are valued based on quoted market prices where available. Where quoted market prices are not available, alternative valuation techniques are used.

Financial assets held to maturity: The fair value for financial assets held to maturity is calculated by reference to the current investment rate that would be obtained at balance date for investment based on the number of days remaining until maturity. Financial assets held to maturity are carried at amortised cost as these assets are intended to be held until maturity.

Loan and advances: The carrying value of loans, advances and other receivables is net of provisions for impairment. The fair value is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at 30 June 2013.

Derivatives financial instruments: The fair value for derivatives financial instruments are from quoted closing market prices at balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.

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

Deposits: The net fair value for deposits was calculated by utilising discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at 30 June 2013.

The net fair value of non-interest bearing, call and variable rate deposits repriced within twelve months is the carrying value as at 30 June 2013.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the net fair value of the other term deposits.

Fair value: The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Notes to the financial statements (continued)

For the year ended 30 June 2013

41. Fair value of financial instruments (continued)

The aggregate net fair values of financial assets and financial liabilities, at balance date, are as follows:

Consolidated Group	Total carrying amount as per the statement of financial position		Aggregate fair value	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Financial Assets				
Cash and cash equivalents	**66,516**	206,658	**66,516**	206,658
Financial assets - available for sale	**14,024**	14,024	**14,024**	14,024
Financial assets - fair value through profit or loss	**45,617**	49,711	**45,617**	49,711
Financial assets - held to maturity	**1,153,624**	988,509	**1,153,624**	988,509
Derivative financial instruments	**147**	-	**147**	-
Loans and advances	**8,571,513**	8,092,351	**8,463,090**	7,932,883
Total Financial Assets	**9,851,441**	9,351,253	**9,743,018**	9,191,785
Financial Liabilities				
Derivative financial instruments	**12,284**	23,314	**12,284**	23,314
Deposits	**6,553,232**	6,268,760	**6,541,818**	6,268,760
Borrowings	**2,567,523**	2,397,375	**2,567,523**	2,397,375
Total Financial Liabilities	**9,133,039**	8,689,449	**9,121,625**	8,689,449

Parent	Total carrying amount as per the statement of financial position		Aggregate fair value	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Financial Assets				
Cash and cash equivalents	**66,186**	206,041	**66,186**	206,041
Financial assets - available for sale	**14,024**	14,024	**14,024**	14,024
Financial assets - fair value through profit or loss	**-**	-	**-**	-
Financial assets - held to maturity	**1,153,624**	982,578	**1,153,624**	982,578
Derivative financial instruments	**147**	-	**147**	-
Loans and advances	**8,571,513**	8,092,395	**8,463,090**	7,932,839
Total Financial Assets	**9,805,494**	9,295,038	**9,697,071**	9,135,482
Financial Liabilities				
Derivative financial instruments	**12,284**	23,314	**12,284**	23,314
Deposits	**6,582,295**	6,287,790	**6,571,107**	6,287,790
Borrowings	**2,567,523**	2,392,931	**2,567,523**	2,392,931
Total Financial Liabilities	**9,162,102**	8,704,035	**9,150,914**	8,704,035

Notes to the financial statements (continued)

For the year ended 30 June 2013

41. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Consolidated Group	**Fair Value**				
2013	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Amount**
Financial Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets - available for sale	**-**	**-**	**14,024**	**14,024**	**14,024**
Financial assets - fair value through profit or loss	**45,617**	**-**	**-**	**45,617**	**45,617**
Derivative financial instruments	**-**	**147**	**-**	**147**	**147**
Total Financial Assets at Fair Value	**45,617**	**147**	**14,024**	**59,788**	**59,788**

Consolidated Group	**Fair Value**				
2012	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Amount**
Financial Assets	$'000	$'000	$'000	$'000	$'000
Financial assets - available for sale	-	-	14,024	14,024	14,024
Financial assets - fair value through profit or loss	49,711	-	-	49,711	49,711
Derivative financial instruments	-	-	-	-	-
Total Financial Assets at Fair Value	49,711	-	14,024	63,735	63,735

Parent	**Fair Value**				
2013	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Amount**
Financial Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets - available for sale	**-**	**-**	**14,024**	**14,024**	**14,024**
Financial assets - fair value through profit or loss	**-**	**-**	**-**	**-**	**-**
Derivative financial instruments	**-**	**147**	**-**	**147**	**147**
Total Financial Assets at Fair Value	**-**	**147**	**14,024**	**14,171**	**14,171**

Parent	**Fair Value**				
2012	**Level 1**	**Level 2**	**Level 3**	**Total**	**Carrying Amount**
Financial Assets	$'000	$'000	$'000	$'000	$'000
Financial assets - available for sale	-	-	14,024	14,024	14,024
Financial assets - fair value through profit or loss	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-
Total Financial Assets at Fair Value	-	-	14,024	14,024	14,024

Notes to the financial statements (continued)

For the year ended 30 June 2013

41. Fair value of financial instruments (continued)

Consolidated Group	Fair Value				
2013	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial Liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Derivative financial instruments	-	12,284	-	**12,284**	**12,284**
Total Financial Liabilities at Fair Value	**-**	**12,284**	**-**	**12,284**	**12,284**

Consolidated Group	Fair Value				
2012	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial Liabilities	$'000	$'000	$'000	$'000	$'000
Derivative financial instruments	-	23,314	-	23,314	23,314
Total Financial Liabilities at Fair Value	-	23,314	-	23,314	23,314

Parent	Fair Value				
2013	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial Liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Derivative financial instruments	-	12,284	-	**12,284**	**12,284**
Total Financial Liabilities at Fair Value	**-**	**12,284**	**-**	**12,284**	**12,284**

Parent	Fair Value				
2012	Level 1	Level 2	Level 3	Total	Carrying Amount
Financial Liabilities	$'000	$'000	$'000	$'000	$'000
Derivative financial instruments	-	23,314	-	23,314	23,314
Total Financial Liabilities at Fair Value	-	23,314	-	23,314	23,314

Directors' Declaration

In accordance with a resolution of the directors of the Credit Union Australia Ltd, we declare that:

In the opinion of the directors:

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

(i) giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2013 and of their performance for the year ended on that date;

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

(iii) the financial statements and notes to the financial statements are prepared in compliance with international financial reporting standards as made by the International Accounting Standards Board.

(b) there are reasonable grounds to believe that the Credit Union and the Group will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

A.E.Beanland
Chairman

E.A.Foster
Director

Brisbane
28 August 2013

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Independent auditor's report to the members of Credit Union Australia Ltd

Report on the financial report

We have audited the accompanying financial report of Credit Union Australia Ltd ('the company'), which comprises the statements of financial position as at 30 June 2013, the statements of financial performance, the statements comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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Opinion

In our opinion:

a. the financial report of Credit Union Australia Ltd is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2013 and of their performance for the year ended on that date;

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Ernst & Young

Ernst & Young

P M Luskie

Paula McLuskie
Partner
Brisbane
28 August 2013

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