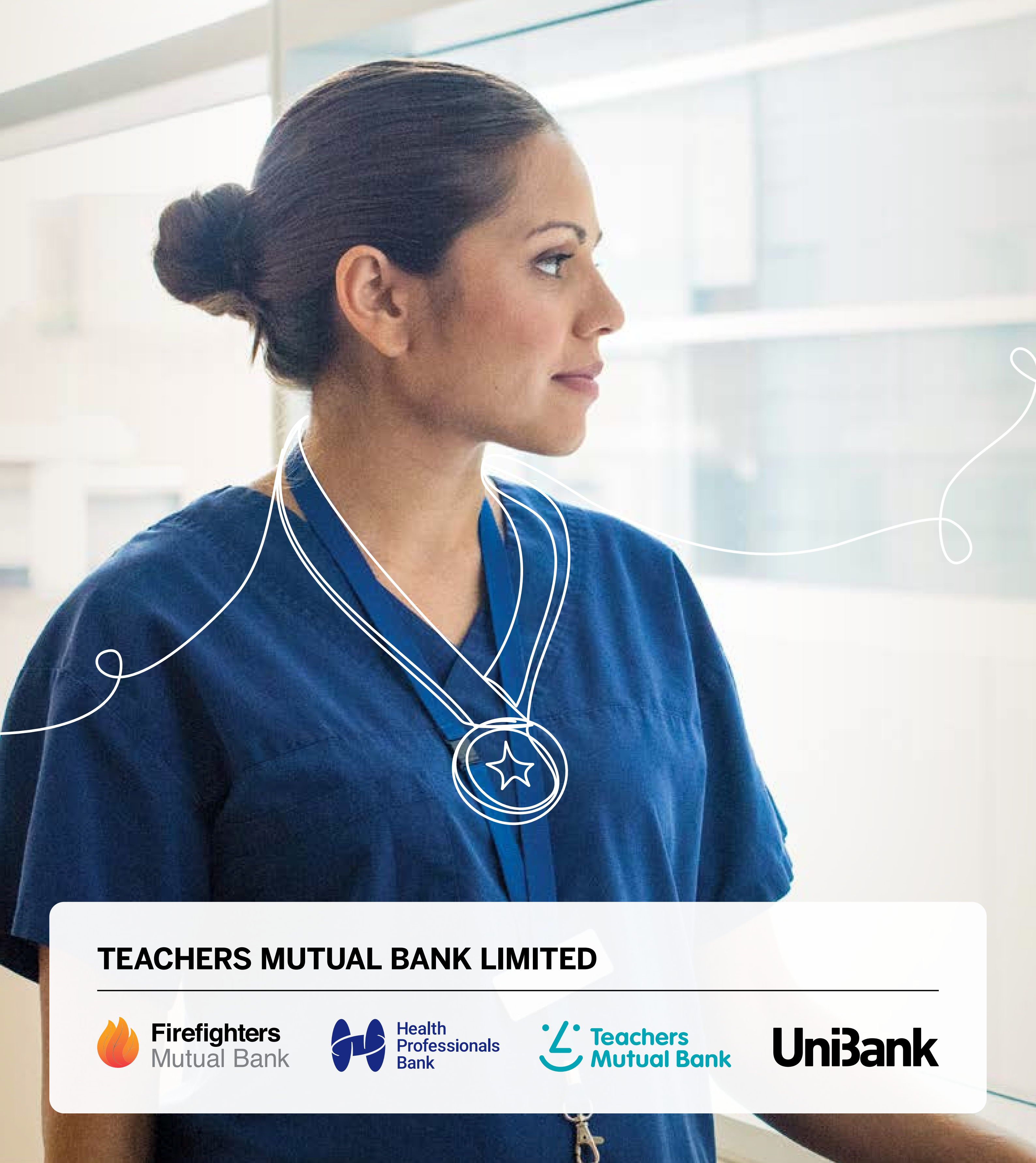
Annual Report and Sustainability Update 2019–2020



TEACHERS MUTUAL BANK LIMITED

Firefighters Mutual Bank

Health Professionals Bank

Teachers Mutual Bank

UniBank

“Hearty thanks to our firefighting heroes and protectors for the tremendous work in controlling the fire and storms, and saving lives, flora and fauna!”

DEEPIKA, NEUTRAL BAY – SHOUT OUT TO FIRIES

Contents

Annual Report & Sustainability Update 2019-2020

We work hard to give our members a secure financial future. At all times, and especially during challenging times, the education, emergency and health communities can depend on our exceptional member support.

TEACHERS MUTUAL BANK LIMITED

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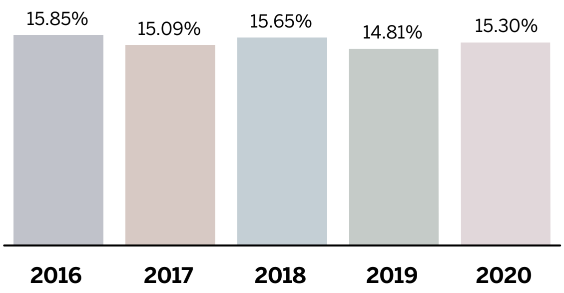
ABN: 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981

Overview of key financial performance

We are a financially secure mutual bank, with a focus on sustainable growth and providing members with competitive products.

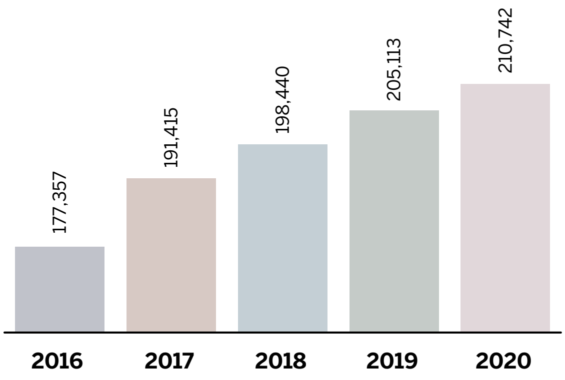
Capital adequacy ratio

Capital adequacy is a ratio which protects depositors and investors by indicating the strength of an institution. We are well above APRA's minimum requirement of 8%.



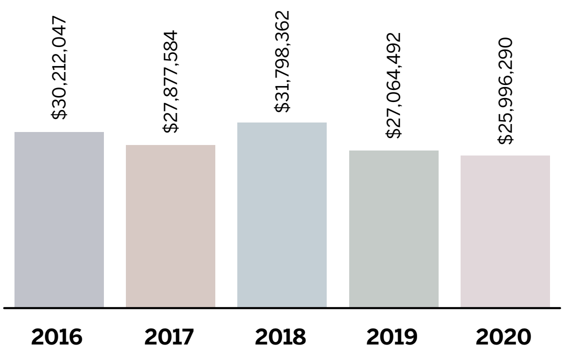
Membership

Membership refers to all shareholders that are eligible to join under the common bond.



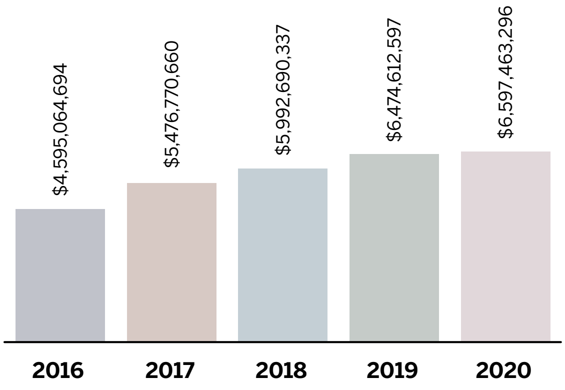
Profit after income tax

Profit after income tax[1] is the amount of money we generate from operating our products and services minus the cost of providing those products and services, including all taxes.



Loan balances

Loan balances are the total of money owed to us by our members from personal loans, secured (home) loans, credit cards and overdrafts.

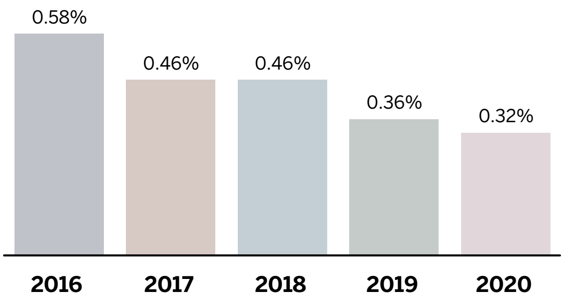


[1] *Parent (Bank) – not consolidated Group.*

We achieved a consolidated net profit of $25.7 million after tax, and maintained a healthy capital adequacy ratio of 15.3%.

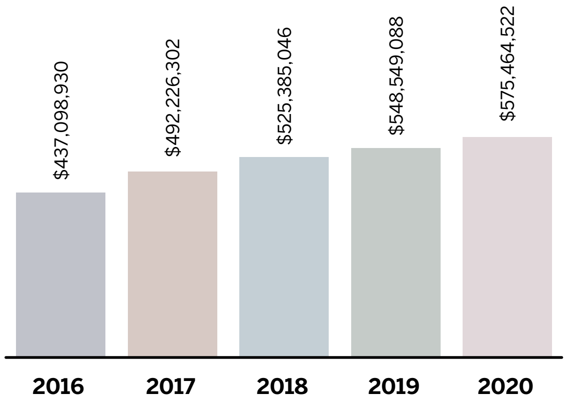
Return on assets

Return on assets measures how profitable a company is relative to its total average assets and shows how efficiently a company uses its assets.



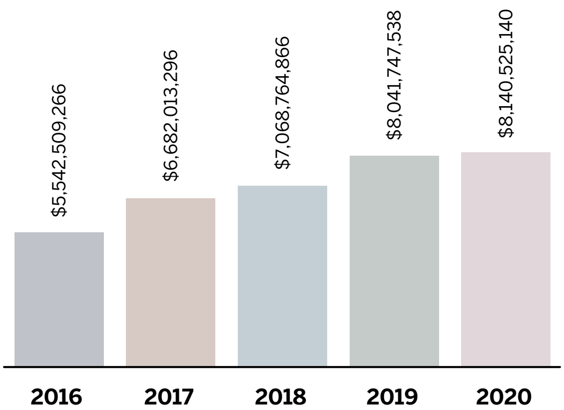
Reserves

Reserves are accumulated profits held by us to ensure our ability to safely grow.



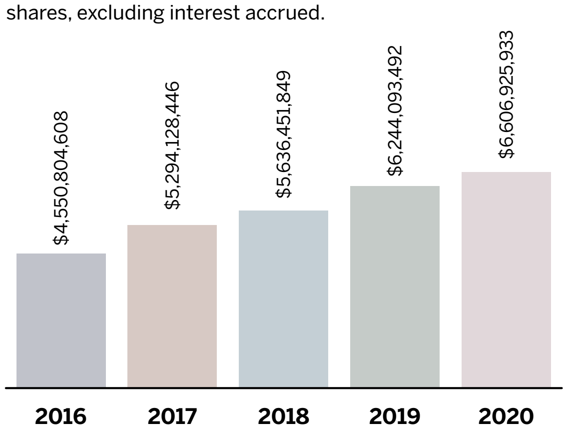
Assets

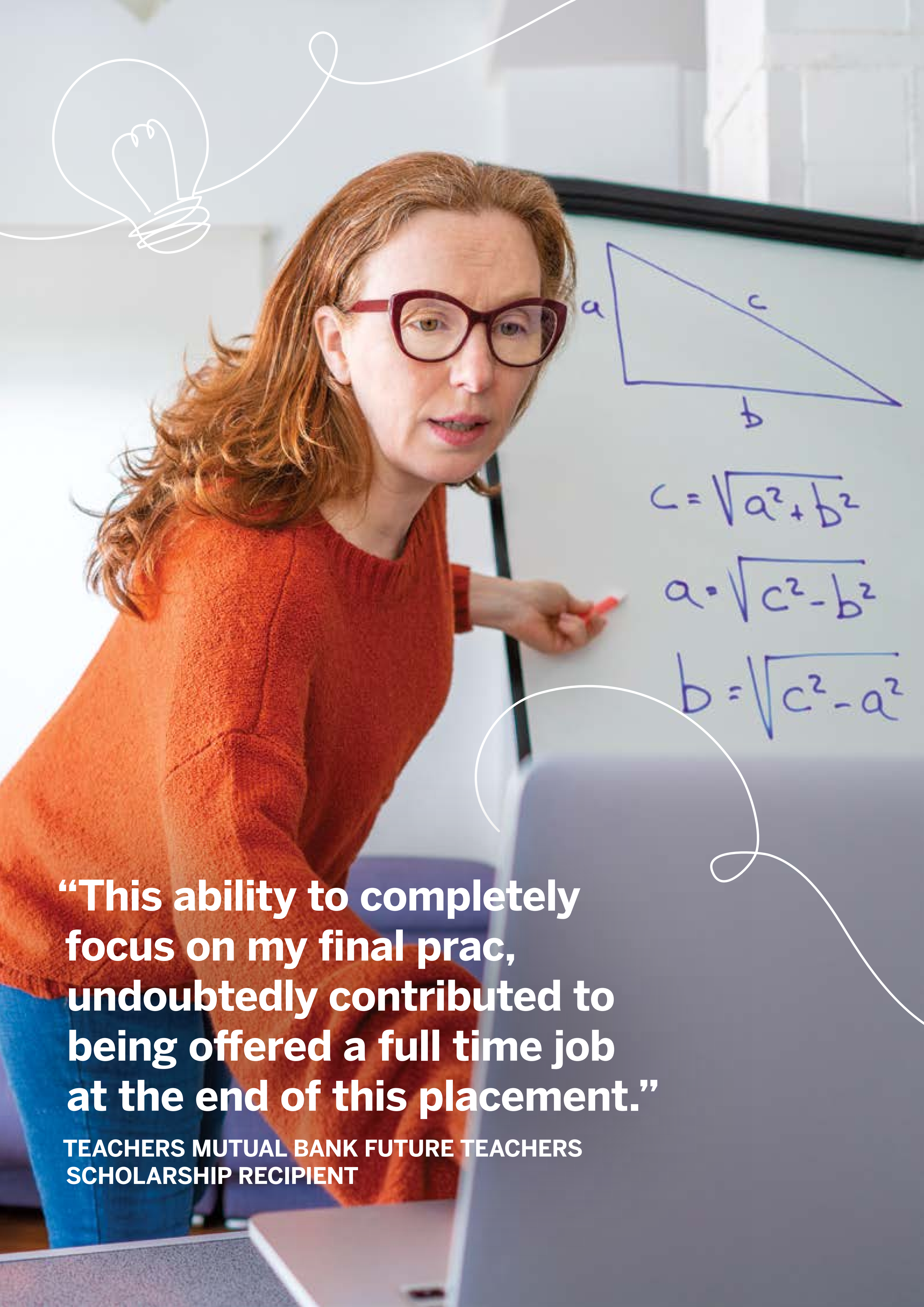
Assets are the total of all Teachers Mutual Bank Limited assets.



Member deposits

Member deposits are made up of savings, investments and shares, excluding interest accrued.





"This ability to completely focus on my final prac, undoubtedly contributed to being offered a full time job at the end of this placement."

TEACHERS MUTUAL BANK FUTURE TEACHERS SCHOLARSHIP RECIPIENT

What we delivered in FY2020

Our focus is to maintain sustainable growth to ensure we provide competitive products and services, enabling our members to secure their financial futures.

Community

$1.8m
total community investment

$25,743
in employee giving and donations

2,129
schools visited

7.1%
of net profit after tax reinvested into the community

Sustainability

7th year
in a row recognised as one of the World's Most Ethical Companies

97%
of products sold are Certified ethical or responsible

85%
increase in Certified products to $1.4 billion

197,558KWh
in electricity generated by solar PV

Our People

43.5%
women in management roles

9.3 years
average length of employee service

677
staff hours volunteering for charities

82%
employee engagement rating

Members

966
members assisted with a Repayment Pause during COVID-19

97.8%
member retention rates

315
member engagement events hosted

210,742
members across the country

Chair and CEO's report

In our 54th year of operation, we have remained financially strong and continued to build one of Australia's largest mutual banks.

During the past year, there have been significant and unprecedented challenges around the globe. The summer bushfires had a devastating effect on many parts of our country and we thank the firefighters and first responders who often risked their lives to save others. Teachers Mutual Bank Limited and Firefighters Mutual Bank donated a total of $100,000 to support the bushfire relief efforts.

The COVID-19 pandemic has brought further challenges and drastically changed the landscape of how we live and work, forcing all of us to adapt quickly. As we work through the challenges of the pandemic, we remain committed to supporting and serving you, our members, as you contribute to your communities by working in the education, emergency services and healthcare sectors.

"At the end of the 2019-2020 financial year, we were proud to be serving over 210,000 members and maintaining $8.14 billion in assets."

STEVE JAMES, CEO OF TEACHERS MUTUAL BANK LIMITED

We are honoured to serve teachers, university staff and graduates, firefighters, paramedics, nurses, midwives and their families. We acknowledge the invaluable jobs that you all do and the services you provide to our communities. We take great pride in our purpose – to assist you to build and maintain financial wellbeing and wealth throughout your lifetime.

Throughout the unprecedented market turbulence and low interest-rate environment of the past financial year, our skilled Board of Directors and Management team have focused on maintaining the strength of the Bank and meeting the needs of our members. Our financial position remains strong, returning a consolidated group net profit of $25.7 million. We have also maintained a healthy capital adequacy ratio of 15.3%. Our asset base grew by 1.2% which is consistent with, and indicative of, the current economic conditions.

During the pandemic, our Board of Directors and Management team made the decision to apply for JobKeeper to enable all of our loyal and dedicated staff to keep their jobs. The Bank received JobKeeper payments for April 2020 until September 2020. As a mutual bank, it is essential to support our staff during this difficult time. Retaining our staff will in turn allow us to continue providing service and value to members, so that we can continue to support you in securing your financial futures when this crisis is over.

Our thanks go to our staff, who have shown resilience and commitment to providing exceptional member service throughout the challenges of this year. During this time, over 90% of our employees worked from home and continued to operate to our high standards.

We are pleased to have received very encouraging responses from our recent staff survey, with an employee satisfaction rating of 82% and a health and wellbeing rating of 90%. Our staff members demonstrate their loyalty to the Bank through long tenure; the average length of employment across the organisation is more than nine years.

Did you know?
During the COVID-19 pandemic, over 90% of our employees across the country worked securely from home and continued to operate to our high standards.

COVID-19 has prompted our members to further embrace digital banking technology. Looking into the future, we plan to adopt a digital-first strategy, which will include the launch of a leading-edge digital bank platform. This platform will allow us to serve more members and remain competitive in the digital landscape, while still continuing to grow our membership in each of our divisions: Health Professionals Bank, Firefighters Mutual Bank, Teachers Mutual Bank and UniBank.

This year we invested in a significant upgrade to our online banking services. The improved functionality and intuitive design of our internet banking ensures our members experience a seamless way to bank, on any device that suits them. We have also introduced video conferencing for our national Mobile Lending team, so that members can still conduct face-to-face meetings with the Bank in a safe and efficient manner.

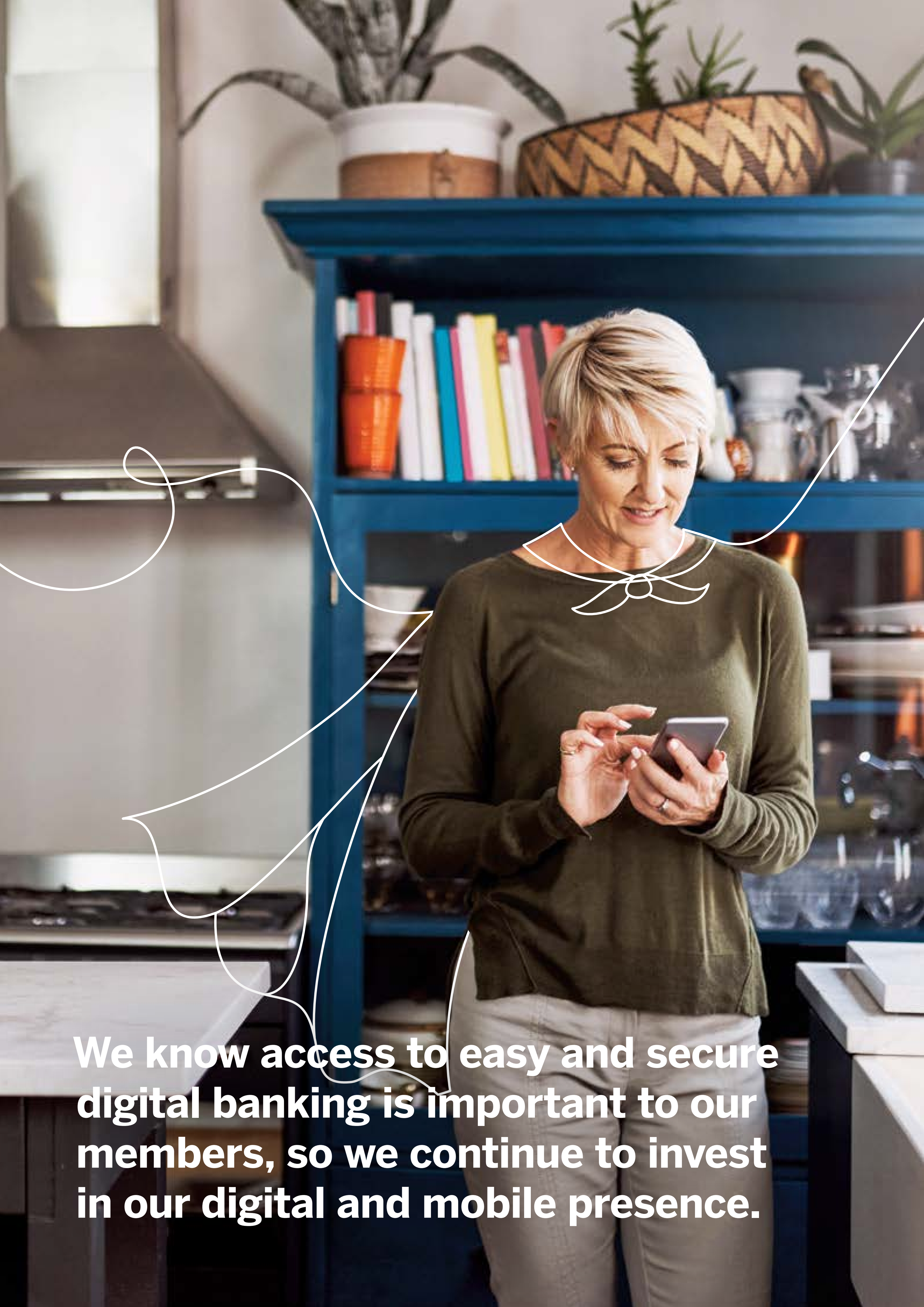
Our Annual General Meeting (AGM) will be held as a hybrid event – a small physical meeting with a live online webcast. This decision was made to protect the safety of our members during COVID-19, plus it allows more members than ever before to attend as they can sign in from across the country. We look forward to this opportunity to connect with our members and answer any questions you may have.

While the future for all of us in terms of the pandemic and the economy remains uncertain, we are in a strong financial position to face further challenges. Thank you for your loyalty and for choosing us as your financial services provider.

Maree O'Halloran
Chairperson

Steve James
Chief Executive Officer

Teachers Mutual Bank Limited Chairperson Maree O'Halloran and Chief Executive Officer Steve James.



We know access to easy and secure digital banking is important to our members, so we continue to invest in our digital and mobile presence.

Our members are at the heart of our business

In challenging times, our members and their communities can depend on our support as they begin to rebuild. Many of our members are on the front line of one of the greatest challenges of our generation. We are proud to support our members in securing their financial future.

We stand with our members' communities

We are passionate about supporting our community at all times and especially in times of uncertainty. The ravages of last summer's bushfires and the impact of the COVID-19 pandemic have changed the landscape of how we live and work. As a mutual bank, providing support to our members and their communities is part of our DNA.

The financial wellbeing of our members and employees is our priority. During COVID-19, we continued to provide essential banking services to our members. To support those who were adversely impacted by COVID-19, we deployed extra team members to assist with enquiries, and set up a Financial Assistance Package. We helped over 960 members with a Repayment Pause on their home loans and granted an additional 150 members Financial Hardship relief.

The bushfires had a devastating effect on many parts of the country, and we remain in awe of the brave firefighters who risked their lives. We stand with those people suffering great loss and will continue to support them.

To help communities rebuild, Teachers Mutual Bank Limited and Firefighters Mutual Bank donated a total of $100,000 to a range of bushfire appeals including the NSW Rural Fire Service (RFS), the Salvation Army's bushfire disaster appeal, the Red Cross bushfire disaster appeal and to the families of the three fallen NSW RFS volunteers. During this time, we also offered our members a Credit Assistance package to help with home loan repayments and an emergency credit or overdraft facility. Firefighters Mutual Bank remains in regular contact with the inspiring leaders of the RFS.

Appreciating our awe-inspiring firies

After the devastating bushfire season, we wanted to offer our members a chance to show their appreciation for the firefighters, volunteers and emergency responders who put their lives on the line. We launched a social media initiative inviting members to leave messages of support and gratitude. These powerful messages were shared across our social media channels, promoting engagement with the Firefighters Mutual Bank community.

Easy and secure digital banking

We continue to invest in our digital and mobile presence, to ensure that our members are experiencing a seamless and easy way to bank anywhere, any time, on any device. To achieve this, our online banking services received a significant upgrade. The improved functionality and intuitive design now includes the ability to reset a forgotten access code and the ability to transact seamlessly for accounts with multiple signatories. It has

Did you know?

To support those who were adversely impacted by COVID-19, we helped over 960 members with a Repayment Pause on their home loans and granted an additional 150 members Financial Hardship relief.

never been easier to open an account or term deposit online, and the introduction of SMS one-time passwords has vastly improved payment security on our mobile app. With digital banking becoming essential during the height of COVID-19 restrictions, we also ran a campaign to educate members about safe and simple digital banking solutions from home.

Creating meaningful connections

The landscape has changed as a result of COVID-19, and so has how we serve our members. In addition to educating members about our digital banking services, our Mobile Lenders have expanded their offering beyond home visits to also include meetings via video and phone calls. With the use of these digital tools, our staff can safely interact with members, while still providing a valuable service.

Engaging with our members is a vital part of being a mutual bank. This year, on behalf of our divisions, we focused on strengthening relationships with our communities by attending 291 community events and visiting 1,337 sites. It was a pleasure and a privilege to visit and connect with the communities we serve.

Accessibility is vital for creating a connection with our members. For those who live and work in the Sydney CBD, we opened a new branch at 63 York St (accessed via Barrack Street) in December 2019. This conveniently-located branch serves all our members, and our friendly staff are available to assist with all banking needs.

"I am so thankful for this scholarship and would encourage all future teachers to apply because it has been a huge help to me this year!"

Teachers Mutual Bank Future Teachers Scholarship recipient

Helping members purchase their dream home

For many people, buying a home is the most significant investment decision of their lives. Teachers Mutual Bank Limited was selected by the National Housing Finance and Investment Corporation (NHFIC) for the First Home Loan Deposit Scheme (Scheme) lending panel. The Scheme assists eligible first home buyers to purchase a house with a deposit between 5% and 20% of the property's value. Through our inclusion on the Scheme, we have helped members from across the country realise the dream of owning their first home. The Scheme is running again in FY2021 and we will be able to assist more first home buyers.

"Buying your first home is a significant life milestone and this Scheme is a great opportunity for the Bank to help even more members on their journey to first home ownership."

STEVE JAMES, CEO OF TEACHERS MUTUAL BANK LIMITED

Health Professionals Bank first anniversary

Since the launch of Health Professionals Bank last year, we have worked tirelessly to grow and connect with healthcare workers around the country. In order to foster more connections with the health community, Health Professionals Bank has run social media campaigns, attended industry events and implemented creative strategies to support Australia's vital healthcare workers.

2020 was declared the International Year of the Nurse and the Midwife, providing an ideal opportunity to recognise their significant achievements and contributions. Health Professionals Bank ran campaigns to celebrate the hard work and courage of nurses and midwives, particularly during the COVID-19 crisis.

Health Professionals Bank launched the #NurseBraveRave dance challenge during the COVID-19 pandemic to encourage public support of our brave nurses and midwives. The social media campaign was successful in growing the Health Professionals Bank social media community.


RESCUE
NEW SOUTH WALES

Results on our targets

Our members are the foundation of our business, and as a mutual bank, it is vital to assess our relationship success. We report on the following member-focused targets.

Member targets	Results
Member retention rates at 95% or higher	Member retention rates are above target at 97.84%.
Ensure our complaint processes are effective, efficient and result in 95% of complaints being resolved within 14 days	95.2% of complaints resolved within 14 days or less.
Complaints registered with an External Dispute Resolution authority not to exceed 5% of total complaints made to the Bank	Complaints registered with the Australian Financial Complaints Authority (AFCA) (36) represented 0.49% of the total number of complaints received (7384).
Determinations in the clients favour not to exceed 10% of cases registered with an external dispute resolution authority	Determinations in the clients favour (1) represent 2.8% of the total cases registered (36) with AFCA.
No external loss of data that results in a major breach of policy	There was no external loss of data that resulted in a major breach.
No breaches of responsible marketing guidelines that adversely affect members and customers and result in negative media or sanctions	There were no breaches of responsible marketing guidelines that adversely affected members and customers or resulted in negative media or sanctions.
Assist members in financial difficulty through the Financial Assistance Package	The COVID-19 pandemic saw a total of 966 members request and receive support through the Financial Assistance Package.

“I am in total awe of each and every one of you. Thank you is not enough.”

RUDI, ST KILDA – SHOUT OUT TO FIRIES

A values-based bank where profit has a purpose

When money is responsibly invested, it can be a powerful tool for good in the world. Our members bank with us because they want to feel good about where their money is going. We work hard to be a globally recognised, ethical company.

Did you know?
By banking with us, for every bill paid, savings account opened or home loan drawn, members can feel good about where their money is going, thanks to our independently certified products.

Banking as a force for good

We believe in the power of responsible investment. When members join the Bank, they do not need to choose between building personal wealth or building a wealthier future for the community and the planet. With us, it is possible to do both.

By banking with us, for every bill paid, savings account opened or home loan drawn, members can feel good about where their money is going.

In practice, our members can be sure that money borrowed or deposited with us is never used to fund damaging industries such as fossil fuels, gambling or tobacco.

Our members contribute a considerable amount to our society, working for the benefit of future generations and they expect their bank to share their values. We want to go above and beyond their expectations, which is why we benchmark ourselves against world-leading ethical standards.

A globally recognised ethical company

For the seventh year running, Teachers Mutual Bank Limited was named one of the World's Most Ethical Companies (WME) for 2020 by the Ethisphere Institute.

This recognition honours superior achievements in transparency, integrity, ethics and compliance, and underscores an honouree's commitment to leading with integrity and prioritising ethical business practices.

As we continue our mission to be a leading force in ethical business, the WME evaluation is an important benchmark of our ethical business credentials.

Banking with values

We are a member of the Global Alliance for Banking on Values (GABV), a global network of banking organisations deeply committed to creating positive change in society as a whole. Using environmentally and socially responsible practices is something our members have come to expect and appreciate.

Independently-Certified products

We are the only bank in Australia to have all wholesale and retail mortgage and deposit products independently certified by the Responsible Investment Association Australasia (RIAA). Third-party verification means our credentials can be trusted.

Every deposit account we open and every mortgage we sell is a Certified Responsible Investment; these two product types are around 97% of the retail products we sell.

We are giving consumers the opportunity to shop ethically for banking products.

Hitting new milestones

This year, we have nearly doubled the amount of Certified products on our balance sheet to a total of $1.4 billion.

We've been pioneering ethical investment in Australia since 2015 and have now taken the further step of certifying all wholesale short term deposits with the RIAA. This means any wholesale investor in the Bank has a guarantee that their investment is ethical.

A blueprint for a sustainable future

We are proudly contributing to the Australian Sustainable Finance Initiative (ASFI), a collaboration of 90+ leaders from across the financial sector, including banks, superannuation funds and insurance companies. We are one of three mutual banks in the group. The aim of the ASFI is to set out a roadmap for realigning the finance sector to support greater social, environmental and economic outcomes for the country.

For Australia to continue to prosper in the 21st century, we need to realign the country's economic systems to support human wellbeing, social equity and the environment. Recovery from COVID-19 is an opportune time to invest wisely and rebuild a resilient society.

Key figures

Investing responsibly

- Total RIAA-certified products increased by **85%** from **$764 million** to **$1.41 billion**.
- Certified ethical investment increased by **46%** and responsible investment increased by **132%**.
- Total certified products represent **17.4%** of the Bank's balance sheet, compared to **9.5%** as of 30 June 2019.

Results on our targets

Social responsibility is at the forefront of our operations, culture and practices. We report on environmental, social and governance performance annually, including the following social responsibility targets.

Sustainability targets	Results
Strive for international leadership in socially responsible banking[1]	For the seventh year in a row, the Bank was recognised as one of 2020's 'World's Most Ethical Companies' (WME) by the global body, the Ethisphere Institute. The Bank was one of only five banks globally to receive this recognition, out of 132 companies in total. This recognition 'honours superior achievements in transparency, integrity, ethics and compliance, and underscores an honoree's commitment to leading with integrity and prioritising ethical business practices'. We are a member of the Global Alliance for Banking on Values (GABV). This year, in partnership with Bank Australia, we facilitated a Values-Based Leadership Program based on the success of a similar popular program run by the International Global Alliance for Banking on Values (GABV) Leadership Academy.
Benchmark to global standards on governance, reporting and verification	The WME evaluation tests our ethical business credentials and external benchmarking while independent third party evaluation provides transparency, accountability, and measures performance results across the whole organisation. The assessment process includes more than 200 questions on culture, environmental and social practices, ethics and compliance activities, governance, diversity and initiatives to support a strong value chain. The process serves as an operating framework to capture and codify the leading practices of organisations across industries and around the globe. The Bank submits extensive evidence; for example, this year we provided over 300 separate documents. Participation in WME is entirely voluntary and is not required by any legislation or regulation.
Embed strict responsible and ethical investment criteria in our lending and investment policies and practices	Strict social responsibility criteria are embedded in our lending and investment practices, and written in our Treasury Credit Risk and Lending Risk Policy. These apply to the entire balance sheet for all bank divisions and practices and are based on 100% exclusion; this means that we do not lend to or invest in industries that harm our society or our world, such as the fossil fuel industry. Our policy states that 'various lending opportunities are disqualified from the Bank's lending origination business. Such exclusions are where the primary purpose of the entity or business is alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, fossil fuels, gambling, military activities, political activities, pornography, slavery, tobacco or uranium'. These ethical exclusions are further embedded by underpinning our RIAA wholesale and retail product certification.
Expand RIAA product certification across the balance sheet[2]	From 20 August 2019, the Bank's wholesale short term deposits (i.e. cash, negotiable certificates of deposit and term deposits) were certified as ethical investments by RIAA. This means all wholesale funding issued by the Bank are certified as ethical investments and any wholesale investor in the Bank is guaranteed that their investment is ethical. Combined with the Certified Responsible Investment status for all new retail deposits and mortgages, 97% of all products that the Bank sells are now certified. Total RIAA-certified products increased by 85% ($649m), from $764m to $1,413m in the 12 months to 30 June 2020. Annual additions increased by 20% from $544m to $649m. Certified ethical investment products increased by 46% ($194m), from $420m to $614m. Certified responsible investment products increased by 132% ($455m), from $344m to $799m. Total certified products at the end of FY2020 represent 17.4% of the Bank's balance sheet, compared to 9.5% as of 30 June 2019 and 3.1% as of 30 June 2018.

Mandate and embed sustainability in our supply chain Vendor Management Framework (VMF)	All material, strategic and major suppliers are contractually required to complete a comprehensive Corporate Social Responsibility (CSR) survey. CSR is one of the six standard vendor governance health checks, which operate as a traffic light system. No CSR issues were raised in this period.
Roll out mandatory sustainability training for all employees	A CSR training module is rolled out to all staff every 24 months.
All salaried staff to have sustainability KPIs	These form part of all Manager and Grade 6 performance review documents.
Promote a zero tolerance culture for corruption and fraud	All employees, temporary staff, contractors and service providers must ensure that they are aware of their responsibilities and obligations with respect to the prevention, detection and reporting of fraud. The Bank's Fraud Policy defines the fraud control principles, mandatory requirements and accountabilities across the organisation. It clearly expresses that our Bank does not tolerate fraud and corruption and is committed to promoting and maintaining a sound ethical culture. The Bank provides education to its staff and members in fraud prevention, partnering with government departments in cyber security and privacy awareness campaigns, having dedicated security pages on all our websites. No incidents of corruption or internal fraud were identified.

[1] *The Ethisphere Institute is a global leader in defining and advancing the standards of ethical business practice. The World's Most Ethical Company assessment is based upon the Ethisphere Institute's Ethics Quotient (EQ) framework and honours superior achievements in transparency, integrity, ethics and compliance. More information at: http://ethisphere.com.*

[2] *Certification is provided by RIAA according to strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.*

Helping communities to thrive

Reinvesting profit into the community is fundamental to our operations as a socially responsible bank. By supporting our communities and their values, we are investing in their future.

Investing in our members

Returning profit to the community is fundamental to a mutual bank. Our investment in people creates opportunities for members and their families to flourish. In these challenging times, it's more important than ever to find ways to highlight, encourage and celebrate the incredible work of our members from healthcare, emergency services and education industries.

This year, we're proud to have invested 7.1% of net profits after tax back into our communities. We're providing scholarships for teachers, creating pathways for women in STEM careers, and sharing our appreciation for the incredible work of healthcare and emergency services workers. We're investing in our members today to improve our world for future generations.

Inspiring our teachers

Teachers Mutual Bank has worked in partnership with Bell Shakespeare since 2017 on the Regional Teacher Mentorship, unlocking access for 120 regional teachers from across Australia to reignite Shakespeare within their classrooms, schools and communities. Each year, 30 teachers are chosen for this fully-funded, year-long mentorship to learn innovative strategies for teaching Shakespeare, which not only brings words to life for their students but also encourages them to think differently about their world. Each teacher will take the skills and confidence they have learnt from the Regional Teacher Mentorship and build them into their daily teaching practice.

Fighting for gender equity in STEM

Encouraging women and girls to consider careers in STEM starts with creating an environment in which they can flourish. UniBank continued to take an active role in supporting women in STEM careers with the inaugural Australian Academy of Science's Catalysing Gender Equity 2020 conference in February, guided by the Women in STEM decadal plan. The event brought together leaders from across the STEM sector to encourage collaboration, build networks and share best practice experiences to advance gender equity.

Supporting the leaders of the future

In an exciting ongoing initiative with the Public Education Foundation, Teachers Mutual Bank continues to offer valuable development opportunities to school principals. The Principals Scholarship gives educators a unique chance to develop their leadership skills at one of the world's most excellent centres of learning: Harvard Graduate School of Education.

Teachers Mutual Bank was delighted to award our scholarship to Tracey Breese, principal of Kurri Kurri High School (NSW). Tracey was chosen for her exceptional abilities as a school leader and her inspiring commitment to public education. In total, three principals were selected from a government primary or secondary school in Australia."

ALAN WAUGH, TEACHERS MUTUAL BANK GENERAL MANAGER

The recipients will have the invaluable opportunity of joining the Harvard professional education program in the US, where they will learn powerful skills in leadership now and into the future. These recipients were chosen for their existing leadership capacity. By learning from some of the most well-respected educators in the world, they will have greater skills to inspire the next generation of future leaders.

Did you know?

The Future Teachers Scholarship helps support the next generation of teachers by awarding eight $5,000 scholarships to passionate teachers in need.

The Principals Scholarship provides a once in a lifetime opportunity for innovative school leaders. Teachers Mutual Bank is extremely proud to support the program and to be able to foster professional development opportunities for our inspiring education leaders.

Caring for hardworking teachers

Once again, Teachers Mutual Bank was delighted to sponsor the 2019 Schools Spectacular. The annual show, celebrating its 36th anniversary, took place at Sydney Olympic Park for the fourth time. Over 5,500 young performers from over 389 schools showcased their talents under the guidance of more than 800 teachers. To support the hardworking teachers organising and overseeing the event, Teachers Mutual Bank set up a cafe giving out coffee and tea. A representative from the Bank was also available to chat with teachers and answer their banking questions.

Building strong healthcare relationships

Health Professionals Bank remains committed to forming strategic partnerships in the health sector and has taken great strides in growing awareness with key organisations to bring the health community together.

Health Professionals Bank continued to strengthen relationships with the healthcare industry by partnering with the NSW Nurses and Midwives' Association, the Australian College of Nursing and the Australian College of Midwives. Partnering with the two premier professional colleges and the NSW Nurses and Midwives' Association is part of an ongoing strategy to promote Australia's only mutual bank dedicated to healthcare professionals.

Providing financial support for future teachers

Teachers Mutual Bank received a record number of submissions this year to the annual Future Teachers Scholarship. Launched in 2009, the scholarship helps support the next generation of teachers by awarding eight $5,000 scholarships to passionate teachers in need, helping to ease the stress of managing work, study and practice assignments. Ten teachers also receive a runner-up prize of $250.

The record number of submissions received in 2020 highlights the current need for financial support for our future teachers. Primarily, students use the money to support themselves during unpaid practice teaching, as they have to pause paid employment. However, many students this year also applied because they had lost paid work during COVID-19.

"The financial stress often felt throughout the year was alleviated with the assistance of the scholarship. This provided me with greater opportunity to focus on other aspects of my life such as my studies and my health."

Teachers Mutual Bank Future Teachers Scholarship recipient

Results on our targets

As a mutual bank, we invest in people and support communities. It is crucial to measure the success of our community engagement on an annual basis. Here are the results of our targets for this year.

Community targets	Results
Invest a minimum of 3% of net profits after tax (NPAT) in the community	Total cash invested in the community in FY2020 was $1,822,155, which is 7.1% of NPAT. This is measured as the total amount of direct monetary contributions paid directly to community organisations or in direct support of community activities. By comparison, the 'Big Four' banks invest 0.4% – 0.6%, which means that our direct community investment, as a percentage of NPAT, is 12-18 times greater.
Provide professional development scholarships and programs for key workers in each division of the Bank	This year we have invested in a range of scholarships and conferences across the four Bank divisions to help build capacity and capabilities for key workers. In the second half of the financial year as COVID-19 hit, a number of scholarships and conferences were either postponed or cancelled.
Support specific gender equity initiatives in particular across all divisions, such as Women in STEM	UniBank has supported the Australian Academy of Science's work on the Women in STEM decadal plan. We continued our support of the follow up conference and reported back to a wider audience. Our plan to support the Firefighters Mutual Bank Girls Fire and Emergency Camp in May 2020 was cut short due to COVID-19, however we hope this program will be able to run in November 2020.
Partner with relevant industry bodies and associations in each division's community	In conjunction with partnerships already established for the other divisions, our focus for 2020 was to develop industry partners in health care with seven key relationships developed to increase collaboration for Health Professionals Bank.
Support CUFA's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy Program in Cambodia	On 16 March, the Cambodian government closed educational institutions nationwide in response to COVID-19. As restrictions were slowly lifted by the end of May, CUFA staff shifted to providing home visits and providing training to small groups in their villages. CUFA provided the full five literacy lesson plans to 4,896 children, and project officers conducted approximately 360 home visits to further educate and reiterate to parents the importance of smart saving and budgeting.
Broaden collaboration and develop new partnerships in the non-government education sector	We expanded our network of partnerships in the non-government education sector and deepened existing relationships.
Support the professional development of teachers, office and support staff at conferences, events and leadership development courses	Our support for Principals Associations and school communities ensured regional principals in remote areas had the same access to conferences as their urban counterparts. Support was also made available for principal wellbeing through a nationally-recognised program. Teacher awards and grants made available in public independent and catholic education systems provided opportunity for the personal development of classroom teachers. Our staff delivered community support to school events.
Host member events	We hosted 315 events. This year we cut back on the number of events hosted and focused more on attending key events and fostering deeper, stronger relationships with key stakeholders for each of the brands.

"This scholarship will enable me to build partnerships and connections with globally recognised education experts at Stanford University and the schools and teachers in our region."

Teachers Mutual Bank Victorian Mid-Career Scholarship winner


KINGS
NSW RURAL FIRE SERVICE

Taking care of our employees

The health and wellbeing of our employees is extremely important to us. In these uncertain times, we continue to create a nurturing, positive environment for our staff.

Did you know?
This year we achieved an 82% employee engagement rating. Our team members demonstrate their loyalty through their long lasting relationships with the Bank – the average length of employment across the organisation is more than nine years.

We are an engaged, committed team

We understand that a thriving organisation starts with the wellbeing of its employees. We strive to create a collaborative and nurturing culture, embracing diversity and supporting team members to pursue their goals. With the large majority of our employees working from home for so much of this year, we have worked to ensure that staff remained connected to the organisation, using digital tools to create online communities where colleagues can connect. Flexibility has been a critical component in meeting the needs of our employees. We will continue to give our staff the support they need to reach their full potential while working remotely both now and into the future.

We measure our success by the feedback we receive from our employees. This year, we have maintained industry leadership in levels of staff satisfaction, with an 82% employee engagement rating. Our employees demonstrate their loyalty through their long-lasting relationships with the Bank; the average length of employment across the organisation is more than nine years.

Working to improve gender equality

Our commitment to advancing gender equality across the organisation remains a high priority. In our 2019 WGEA benchmark report, we were delighted to see that the overall gender pay gap across the Bank had decreased by 4.5%. As an accompaniment to these findings, our most recent analysis of employees covered by the Enterprise Agreement showed that employees receive equal pay for equal work, regardless of gender.

Although we acknowledge there are further opportunities to improve our gender representation at a management level, we are on track to reach our goal of reducing the overall pay gap year on year. Culturally, a useful indicator was a recent staff survey revealing that 87% of employees believe gender is not a barrier to success at Teachers Mutual Bank Limited and support action within the organisation to improve equality.

Our COVID-19 response

Our number one priority during this time was the health and wellbeing of our employees. We devised several flexible initiatives to keep our team safe while responding to COVID-19. During this time, the vast majority of employees worked from home (>90%), and we established a range of touch-points connecting staff to the organisation and their colleagues. These measures included surveys to understand how staff were coping and what further support we could offer, the creation of an online employee community, and mindfulness sessions via Zoom.

During the pandemic, we wanted to ensure that our team members were supported, whatever their circumstances. In response to the COVID-19 government measures, we introduced Paid Pandemic Leave (PPL), available for any employee who required testing or self-isolation. To offer as much flexibility as possible, employees could take PPL in part, single or blocks of days.

PPL was also available for those working from home while also home-schooling children. The intention was to give parents the flexibility to decide whether to send their children back to school or day care once they reopened.

Creating opportunities for leadership

Strong leadership is the successful basis of any organisation. This year, in partnership with Bank Australia, we facilitated a Values-Based Leadership Program based on the success of a similar popular program run by the Global Alliance for Banking on Values (GABV) Leadership Academy. Our initiative was developed and facilitated by a representative from the GABV. Ten leaders from each bank were

selected to participate, all attending three residential modules hosted in different locations over six months and allowing industry leaders to strengthen their skills.

This program offered diverse learning experiences such as peer coaching, learning journeys, empathy walks and various other reflective learning activities. There was also the chance to hear guest speakers talk about their invaluable knowledge of CSR, financial sustainability and climate change.

Giving back to our communities

Our dedicated and caring employees volunteered for several charitable organisations this year. Collectively, our team members gave 83 days and 11 part days to organisations such as the RSPCA, Cancer Council, Foodbank, Bears of Hope and the Salvation Army.

Staff giving

Staff giving days raised money for a variety of charities this year in our offices and branches including:

- August 2019 – Bears of Hope
- November 2019 – Cufa
- February 2020 – Bushfire appeal
- May 2020 – Mother's Day: Share the Dignity

Results on our targets

To provide exceptional service to our members, we understand that we need our employees to feel valued and recognised for their hard work. Here are the results of our employee targets for this year.

Employee targets	Results
Maintain employee engagement at or above 80%	We achieved an 82% employee engagement result again this year. Results over 80% are typically considered in line with international best practice.
Minimum 85% of employees would recommend the Bank as a place to work	89% of our employees would recommend the Bank as a place to work, demonstrating one of our three core values of advocacy.
Maintain staff turnover below 15%	Total turnover was 9%, down from 13% in the previous year. The average for our industry is currently 18%, according to the Financial Institutions Remuneration Group.
All employees to complete annual performance reviews and annual development plans	Annual performance assessments and development planning activities form part of a comprehensive framework of employee development.
Continue to develop and implement policies and procedures that reflect best practice in employee relations	A full rewrite of our HR and WHS Policies occurred this year to reflect best practice in employee relations, including a timely update to our Working From Home Policy.
Zero tolerance to discrimination, harassment and bullying	We continue to maintain a culture that is free from harassment and workplace bullying through a comprehensive education program and zero tolerance policy.
Exceed the ASX average of the percentage of females in Board, Executive and Management positions	Figures as of June 2020: Female Board representation was 37.5% (compared to ASX 30.9%). Executive representation was 25% (compared to WGEA Industry Scorecard 28.3%) and Management was 43.5% (compared to WGEA 39.3%).
Continue to support employee volunteer days, sponsorship and donation requests associated with charitable initiatives	Despite COVID-19 restrictions in place since March, 91 staff volunteered 688 hours for the community this year. Staff donations via our charity days and workplace giving totalled $25,564. We raised $10,777 for a bushfire appeal, and made donations to Cufa, and Bears of Hope and Mother's Day Share the Dignity. In addition, the Bank donated $7,113 to charities nominated by staff, as well as other charitable support.
Reduce the lost time incident rate (LTIR) (in days)	LTIR reduced from 59 days in the previous year to 38 days.
Make health, safety and wellbeing an integral part of each employee's role	WHS responsibilities are included in all individual job descriptions, for which each employees is held accountable.

Did you know?

The three most common words used in 2020 to describe our workplace culture are: supportive, flexible, friendly.


Staff volunteered 83 days and 11 part days this year to give back to the community through charity work.

Pioneers in fossil-free banking

Climate change is the most urgent environmental issue facing our world today, and banks can make a difference. This does not just mean their direct footprint, but the wider impact that may occur from their investment and lending.

Did you know?
Our climate change investment policy is that we do not directly lend to, buy equity or debt in any large-scale greenhouse polluting activities including fossil fuel exploration, extraction, production and use. And we will never directly invest in any large scale greenhouse gas polluting activities or companies.

The banking sector and climate change

By investing and lending to the fossil fuel industry, the financial sector makes climate change worse, at a time when remedial action is urgent. The regulators agree: the Australian Prudential Regulation Authority (APRA) considers climate risk to be foreseeable, material and financial, while the Reserve Bank of Australia (RBA) cites climate change as a significant risk to financial stability.

Our Risk Committee structure and process has established climate change as a strategic risk and we are working through the issue.

Fossil-fuel free banking products

We pioneer innovative banking solutions to combat climate change which are bank-wide and not just a green niche. Back in 2015, we were the first bank to launch a $1 billion ethical wholesale investment with fossil-fuel free criteria. This initiative was expanded in 2018 to include all retail mortgage and deposit products, and expanded again this year to include all our other wholesale investment products.

This means that 97% of all products the Bank sells – retail and wholesale – are certified on criteria that excludes fossil fuels, as well as other environmental grounds.

This is having an impact in the market: this year we reached $1.4 billion in Certified products on our balance sheet.

What it means for members

Our members expect their investments to be handled ethically and responsibly and they bank with us knowing that the planet's best interests are at the heart of how we invest money. Members don't need to seek out a boutique green option or worry that there is a trade-off to be made; it is built into to every mortgage we sell and every deposit account we open.

Put simply, it means that members' money and the money we lend will never be used to fund industries that pollute the planet.

Greening our footprint

All of our buildings, including the four we own, are net zero via a combination of solar PV LED lights, energy savings, and carbon offsets from a wind farm in India. Solar PV on our roofs generated 15% of our total electricity consumption and saved 153 tonnes of CO^2.

This is the eighth year in a row that we are a carbon neutral bank.[1]

We are purchasing two electric cars to replace our service and pool car, with a view to test these for a wider rollout. These are to be matched with strategically-placed fast charging stations available for use by our staff and members.

100% of paper purchased for our offices is certified from a sustainable source.

We have committed to 3% of business support

purchases to be sourced from Aboriginal and Torres Strait Islander held enterprises to match the Government mandatory target.

We have banned the purchase of water in plastic bottles in all our offices and instead provide filtered water.

A proven greener business

Recognition for our efforts is always heartening. This year, we were named as a finalist for the inaugural Finder Green Awards in the Green Bank category. These awards were designed to help consumers identify environmental leaders within the finance industry.

Nominees are selected based on their outstanding environmental metrics, including minimal greenhouse gas emissions, sizeable renewable energy usage and a high volume of non-landfill waste.

[1] *See www.southpole.com for more information.*

Our policy

Our policy is that we do not:

- Directly lend to, buy equity or debt in any large-scale greenhouse polluting activities from fossil fuel exploration, extraction, production or use
- Directly invest in any large-scale greenhouse gas polluting activities or companies
- Take money from, or lend to, the fossil fuel industry


Solar PV on our roofs generated 15% of our total electricity consumption and saved 153 tonnes of CO^2.
RESULTS ON OUR TARGETS FOR 2019-2020

Results on our targets

We are committed to taking action on climate change through our investment and lending policies and to green our operations. The following are the results on environment targets for this year.

Environment targets	Results
Achieve net zero emissions for all owned buildings	All of our buildings, including the four we own, are net zero via a combination of solar PV LED lights, energy savings, and carbon offsets from a wind farm in India. Solar PV on our roofs generated 15% of our total electricity consumption and saved 153 tonnes of CO^2.
Mandatory installation of solar PV and LEDs for all new owned buildings	The Sydney CBD office was added in December 2019, however the shared building lease does not allow the installation of solar PV. Green power will be purchased as an alternative. LEDs were standard for the fit-out.
All new building leases to be minimum 3.5 star on National Australian Built Environment Rating System (NABERS)	The Sydney CBD office NABERS rating was delayed due to COVID-19.
Maintain carbon neutral status so that all member accounts are with a carbon neutral bank	This is the eighth year in a row that we are a carbon neutral bank, which means all member accounts are with a carbon neutral bank. Our emissions from electricity and fuel use are offset to zero via certified carbon offsets with social impact supplied by South Pole, an environmental consulting service.
Review our Green Vehicle Policy	We are purchasing two electric cars to replace our service and pool car, with a view to test these for a wider rollout. These are to be matched with strategically-placed fast charging stations for our staff and members.
Reduce paper use per member	We reduced paper consumption by 21% this year, from 48 tonnes to 38 tonnes. Recycling paper and cardboard has saved a total of 300 trees.
100% of paper purchased to be from a certified sustainable source	100% of the paper we purchase is from a certified sustainable source, either FSC (66%) or PEFC (34%), of which 82% is also certified as carbon neutral.
Increase the purchase of more sustainable products and services	We increased the amount of green products in our Winx office supplies from 15% to 18%, and have revised this goal to achieve 30% in the next year. We have committed to 3% of business support purchases to be sourced from indigenous enterprises to match the Government mandatory target.
Implement new water saving initiatives	We installed 75 flow restrictor taps in NSW properties.

Did you know?

Teachers Mutual Bank Limited has been a carbon neutral bank since 2013.

Sustainability KPIs

Sustainability is at the heart of our business and it is fully integrated across all of our operations, systems, communications and relationships. We strive for continual progress and recognise the importance of accountability. Annually, we report on key performance indicators (KPIs) including environmental, social and governance.

Social responsibility KPIs

Members	2017-2018	2018-2019	2019-2020
Member engagement events hosted	246	396	315
Formal complaints received by external bodies[1]	0	7	40
Members assisted through the Credit Assistance program	115	110	833

Community	2017-2018	2018-2019	2019-2020
Total community investment[2]	$2,712,661	$1,847,189	$1,822,155
% of profits invested in the community	6.9% (NPBT)	6.6% (NPAT)	7.1% (NPAT)
School visits	1,223	2,462	2,129
Conferences supported	209	105	141
Employee giving and donations	$20,801	$23,962	$25,743

Employees	2017-2018	2018-2019	2019-2020
Employee engagement rating[3]	N/A	82%	82%
Employee turnover rate	9%	13%	9%
Staff satisfaction with workplace health & safety (WHS)	N/A	88%	91%

Environment	2017-2018	2018-2019	2019-2020
Paper recycled (tonnes)	39	32.9	23
Paper use per employee (kg/FTE)	118	90	67
Waste generated per employee (kg/FTE)	67	46	19
Electricity generated by solar panels (KWh)	254,119	260,243	197,558[3]
Emissions intensity (tCO^2-e per million $ of assets)	0.16	0.14	0.14

[1] On 1 November 2018, the Australian Financial Complaints Authority (AFCA) became the dispute resolution scheme for financial services and the Financial Ombudsman Service Limited (FOS) no longer accepted disputes.
[2] In 2019 we revised the framework that we use to measure direct community investment from Net Profits After Tax (NPAT). 2018 figures use the LBG methodology and are calculated differently.
[3] Data from Teachers Mutual Bank Limited staff survey.
[4] We sold one of our five solar-powered buildings in 2020 financial year.

Did you know?
Teachers Mutual Bank Limited was the first bank to launch a $1 billion wholesale ethical investment with fossil-fuel free criteria.

Directors’ report

The Board of Directors has responsibility for the overall management and strategic direction of Teachers Mutual Bank Limited (the Parent) and its controlled entities (the Group).

All Board members are independent, non-executive Directors and the majority are elected by members (our shareholders) on rotation every three years. We have three Board-appointed Directors. All Directors must satisfy the Fit and Proper criteria set down by APRA, and they must abide by our Code of Conduct which outlines their legal and ethical obligations. The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements. The Board conducts an annual review of its performance, along with reviews of individual Directors, committees and the executive.

Maree O’Halloran (Chairperson)

AM, BA/Dip Ed, BLegS, GDLP, LLM, GAICD

Maree O’Halloran was appointed to the position of Chairperson in August 2019. She is currently a Senior Associate at NEW Law Pty Ltd. Prior to her appointment with NEW Law in April 2015, Ms O’Halloran was the Director of the Welfare Rights Centre for seven years where she also practised as a solicitor. Ms O’Halloran has worked as a teacher in both public schools and TAFE. She has been an active voice for the teaching community and is a former President of the NSW Teachers Federation. She has served as a member of the NSW Public Service Commission Advisory Board, and as a Director of Teachers Health, HESTA and the SAS Trustee Corporation. Ms O’Halloran was awarded the Member of the Order of Australia (AM) in the 2011 Australia Day Honours List, in recognition of her service to industrial relations and the education sector. Ms O’Halloran is a member of the Board Remuneration Committee, the Risk & Compliance Committee, and the Health Professionals Bank Advisory Committee.

Linda Green (Deputy Chairperson)

Dip Teach, B Ed (Primary Education), GAICD

Linda Green commenced teaching in 1979 and is currently Principal of Robert Townson Public School. She served as a member of the Supervisory Committee for two years, was elected to the Board in 1997, and as Deputy Chairperson in 2009. Mrs Green is a member of the Audit Committee, Nominations Committee, and the Teachers Mutual Bank Advisory Committee.

Tyrone Carlin (Director)

BCom, LLB (Hons), MCom (Hons), LLM, PhD, Grad Dip Fin SIA, CA, FCPA, FFin

Tyrone Carlin is Deputy Vice-Chancellor (Academic) at Southern Cross University. Prior to joining Southern Cross University he was Professor of Financial Regulation and Reporting at the University of Sydney. His senior leadership experience includes service as Deputy Vice-Chancellor (Registrar) and Pro Vice-Chancellor (Education Operations) at the University of Sydney, Co-Dean of the University of Sydney Business School and Dean of Law at Macquarie University. He is a director of Universities Admission Centre (NSW & ACT) and the Urological Society of Australia and New Zealand. Professor Carlin is Chair of the Audit Committee, as well as a member of the Risk and Compliance Committee and the UniBank Advisory Committee.

Michelene Collopy (Director)

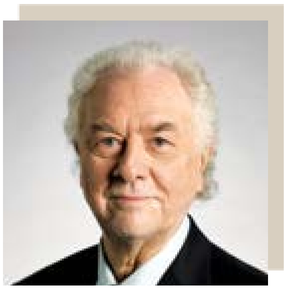
B Ec, CA (FPS), FAICD – (resigned 30 March 2020)

Michelene Collopy has over 30 years experience in financial markets and has held senior roles in compliance, funds management, treasury and financial reporting. Michelene is currently Pro Chancellor of the University of Technology Sydney and former Chair of Perpetual Superannuation Limited. Ms Collopy is a qualified chartered accountant and financial planning specialist, a registered company auditor, licensed operator on the Australian Stock Exchange, and Justice of the Peace. Ms Collopy served as Chairperson of the Audit Committee and the Risk and Compliance Committee, a member of the Board Remuneration Committee and the Board Reporting Committee. She resigned as a director of Teachers Mutual Bank Limited effective 30 March 2020.

The Hon. Verity Firth (Director)

BA, LLB, GAICD – (appointed 27 July 2020)

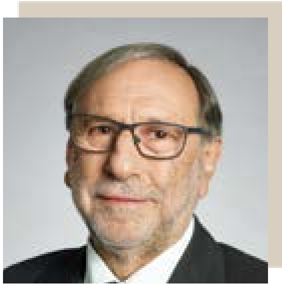
Verity Firth is the Executive Director, Social Justice at the University of Technology Sydney, leading the university's Centre for Social Justice and Inclusion. Ms Firth has over fifteen years' experience at the very highest levels of government and the not-for-profit sector in Australia. Over the last ten years, she has been working in the Australian education sector, first as Minister for Education and Training in New South Wales (2008-2011) and then as the Chief Executive of the Public Education Foundation As Minister for Education and Training she focussed on equity in education, and how to best address educational disadvantage in low socio-economic communities, including rural and remote Indigenous communities. As Chief Executive of the Public Education Foundation (2011-2014), Ms Firth led the Foundation's transformation from a fledgling organisation into a major provider of scholarships and support to public education. Ms Firth was the Member for the state seat of Balmain from 2007 - 2011. Before her parliamentary career, Ms Firth worked as a lawyer and was Deputy Lord Mayor of the City of Sydney. Ms Firth was appointed as a director of Teachers Mutual Bank Limited effective 27 July 2020.



Emeritus Professor William Ford (Director)

BA, LLB (Hons), DipEd W Aust, DipLib (NSW), FAAL

William Ford was a director of Unicredit from 1990 and Chair from 2004 up until Unicredit's merger with Teachers Mutual Bank Limited in 2015. Professor Ford's experience includes Barrister and Solicitor of the Supreme Court of WA; Emeritus Professor of Law (UWA); Dean of the Law School, University of Western Australia (2001–2011); Former Chair, Council of Australian Law Deans (2007–2011); Former Committee Member (UWA Branch) National Tertiary Education Union (NTEU) & Secretary UWA Academic Staff Association; and Former National Vice-President (Academic), NTEU. He is a member of the Board Remuneration Committee, the Risk and Compliance Committee, and the UniBank Advisory Committee.



John Kouimanos (Director)

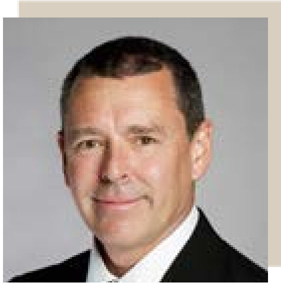
BA, Dip Ed

John Kouimanos commenced teaching in 1967 and retired as Head Teacher Social Sciences at Greystanes High School in February 2004. He was appointed to the Supervisory Committee of Teachers Mutual Bank in 1973 and served until appointed as a Director in 1974. He was appointed as first Chair of the Audit Committee. Mr Kouimanos was appointed Chair of Teachers Credit Union in 2008 and the inaugural Chair of Teachers Mutual Bank Limited in 2012, a position he held until August 2019. He is a member of the Audit Committee and the Firefighters Mutual Bank Advisory Committee.

Jennifer Leete (Director)

BA, Dip Ed, GAICD – (resigned 3 July 2020)

Jennifer Leete commenced teaching in 1977. Her last teaching position was as Head Teacher Social Sciences at Narrabeen High School. She is a Life Member of both the NSW Teachers Federation and the Australian Education Union. Ms Leete was elected as a Director in October 2005. She served as Chairperson of the Development and Education Committee, and as a member of the Marketing and Member Relations Strategy Committee and the Nominations committee. Ms Leete resigned as a director of Teachers Mutual Bank Limited effective 3 July 2020.



Andrew McCready (Director)

BSc, A Fin – (appointed 23 September 2019)

Andrew McCready is a Leading Station Officer in Fire + Rescue NSW and currently supervises their 000 Call Centre in Sydney. He has tertiary qualifications in Computing, Accounting, Financial Planning and Financial Services. Mr McCready was a Director of Fire Brigades Employees Credit Union for eight years and Chair for three years. Post-merger with Teachers Mutual Bank Limited in 2016, Mr McCready continued on the Firefighters Mutual Bank Advisory Committee, and is a member of the Audit Committee.

Michael O'Neill (Director)

BEc, BEd, Grad Dip Acct, FFTA, GAICD

Michael O'Neill is an experienced company director and executive with over 30 years' experience in financial services. He has a strong background in finance, risk, and governance, having held roles as Chief Financial Officer and Chief Risk Officer for NAB's Personal Banking Division in Australia and Treasurer for the NAB Group. Mr O'Neill also has a background in risk management consulting and audit with KPMG. He holds a number of non-executive positions including Chair of the Board Audit and Risk Committee at the Royal Women's Hospital and he was Chairman of Gymnastics Victoria from 2014 to 2019. Mr O'Neill is the Chair of the Risk and Compliance Committee, a member of the Nominations Committee and the Health Professionals Bank Advisory Committee.

Company secretaries

The Company Secretaries in office at the end of the financial year are Steve James and Brad Hedgman.

Steve James (Chief Executive Officer)

MBA, Dip AICD, Adv Acc Cert, GAICD

Steve James is the Chief Executive Officer of Teachers Mutual Bank Limited. Having worked in a diverse range of management roles at Teachers Mutual Bank Limited over the last thirty years, he has played a significant role in its growth and success. He became Chief Executive Officer in 2005. Mr James has been an active participant in both the national and global mutual banking movement, including participating on many national credit union committees, developing his understanding and appreciation of the environment of mutual banking organisations. He is committed to ensuring that Teachers Mutual Bank Limited maintains its high level of member service, employee satisfaction, and financial performance.

Brad Hedgman (Deputy Chief Executive)

MBus, GradCert BusTech, Dip AICD, F FINSIA, MAICD

Brad Hedgman joined Teachers Mutual Bank Limited in 1982 and has worked in a diverse range of management positions since that time. While working primarily in the areas of finance, information technology, administration and risk, he has played an integral part in Teachers Mutual Bank Limited's strength and success. In his current role he remains committed to the unique environment of mutual banking and the provision of responsible financial services to our members.

Directors' benefits

No Director received, or became entitled to receive, during or since the financial year, a benefit because of a contract made by the Parent, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 33 of the financial report.

Indemnifying officers or auditors

Insurance premiums have been paid to insure each of the Directors and officers of the Group, against costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Group. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditors of the Group.

Directors' board meetings

The number of meetings of directors held during the year and the number of meetings attended by each Director were as follows:

Attended by:	A	B
Maree O'Halloran	13	13
Linda Green	13	13
Tyrone Carlin	13	13
Michelene Collopy	7	9
William Ford	12	13
John Kouimanos	13	13
Jennifer Leete	11	13
Andrew McCready	11	11
Michael O'Neill	12	13
Total meetings		**13**

[A] Number of meetings attended. [B] Number of meetings entitled to attend.
Note: A leave of absence was granted where directors were unable to attend a Board of Directors meeting.

Directors' committee meetings

The number of meetings held for the directors' committees during the year and the number of meetings attended by each director were as follows:

	Audit		Board Remuneration		Large Exposures		Marketing/Media Relations Strategy		Nominations		Risk/Compliance	
	A	B	A	B	A	B	A	B	A	B	A	B
Maree O'Halloran	2	2	-	-	-	-	2	2	-	-	4	4
Linda Green	2	2	1	1	-	-	2	2	1	1	-	-
Tyrone Carlin	4	4	-	-	1	1	2	2	-	-	4	4
Michelene Collopy	3	3	-	1	-	-	-	-	-	-	3	3
William Ford	-	-	1	1	-	-	-	-	-	-	-	-
John Kouimanos	1	1	1	1	1	1	-	-	-	-	-	-
Jennifer Leete	-	-	-	-	-	-	2	2	1	1	-	-
Andrew McCready	2	2	-	-	-	-	-	-	-	-	-	-
Michael O'Neill	2	2	-	-	1	1	-	-	2	2	4	4
Total meetings	**-**	**4**	**-**	**1**	**-**	**1**	**-**	**2**	**-**	**2**	**-**	**4**

[A] *Number of meetings attended.* [B] *Number of meetings entitled to attend. Note: A leave of absence was granted where a Director was unable to attend any of the above meetings.*

Financial performance disclosures

Principal activities

The principal activities of the Group during the year were the provision of retail financial services in the form of taking deposits and the giving of financial accommodation as prescribed by the Group's Constitution. No significant changes in the nature of these activities occurred during the year.

Operating results

The net profit of the consolidated Group for the year after providing for income tax was $25.7 million (2019: $27.1 million).

Dividends

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

Review of operations

The results provided include the results of the Parent's operations from its activities of providing financial services, which did not change significantly from those of the previous year and the results of the subsidiary's operations from its activities of providing travel services.

Significant changes in state of affairs

COVID-19 is having a significant health and economic impact on Australia and the world. The Bank has changed operations to protect staff, members and customers and the communities in which we operate. This has included the majority of staff working from home, enforcing social distancing and segregation to avoid any potential disruptions to our services. These changes were well supported by our IT infrastructure, security and support teams but some additional costs are being incurred. We have endeavoured to keep branch services open, installing hygiene stations and perspex sneeze shieldsand providing face masks and enhanced cleaning, however closure of some branches from time to time is necessary due to State Government guidance, university campus closures and staffing availability.

Our mobile lenders are no longer visiting homes, initially affecting loan and insurance volumes however this service

Financial performance disclosures – continued

has now adapted to conducting interviews by Zoom. Our Business Relationship Officers have stopped visiting workplaces, university campuses, events and broker offices which has impacted brand awareness and new member recruitment, however they are now also available for presentations and discussions by Zoom. The reduced transaction volumes as people reduce spending on retail, entertainment, dining and holidays (especially overseas) has reduced our Visa commissions. Credit card balances have reduced significantly. The Bank received JobKeeper payments from April 2020 amounting to $5.36 million in the 2020 financial year and expects to receive a further $6.3 million in the 2021 financial year.

As recommended by the various regulators, we have offered Repayment Pauses or assisted with hardship packages to borrowers in difficulty. As at 30 June 2020, 579 borrowers were on payment pauses with outstanding loans of $273 million and 110 borrowers were on hardship packages due to COVID-19 with outstanding loans of $3.5 million. Whilst we expect many to resume work or find alternative employment, we will continue to work with borrowers to plan for alternative arrangements in meeting their obligations. To recognise the future impacts of COVID-19 and economic slowdown, we have increased our credit provisions by $3.9 million above the levels predicted by our historical models. Loan provisions now stand at $6.6 million (2019: $4.6 million) and credit loss reserves have been increased by $4.3 million to $18.8 million (2019: $14.5 million), as we are expecting an increased number of loan defaults due to unemployment, and lower recovery rates as property prices are expected to fall further.

The Bank has increased its liquidity holdings and expanded its securitisation program to ensure adequate funding in this more volatile environment. The RBA has also made available a 3-year term funding facility to the whole banking sector (including the Bank) to strengthen system liquidity. The RBA has responded to the situation by making further reductions to the overnight cash rate target to a record low of 0.25% and is expected to stay at these levels for the next three years. This puts further pressure on the Bank's interest margin over this period, as does the increased holdings of liquidity, increasing savings by depositors and reduced demand for loans in the economy.

As would be expected, COVID-19 has been especially difficult for our travel subsidiary due to large numbers of cancellations and very few bookings.

On 30 June 2019, the Bank ceased its arrangement with Bridges Financial Services for the referral of wealth management and investment advice. Commissions for FY2020 reduced by 23% and are expected to fall a further 30% for FY2021, after which no commissions will be received

The Bank continues to have a strong capital base to support our operations in these times. We have sufficient capital to increase our investment in technology, digitising our processes, utilising robotics, business and artificial intelligence to accelerate the reductions in operating expenses to help withstand the reductions in revenue whilst enhancing customer experiences.

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

Environmental legislation

The Group operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Events occurring after balance date

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

Likely developments and results

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

i. the operations of the Group;
ii. the results of those operations; or
iii. the state of affairs of the Group

in the financial years subsequent to this financial year, other than continuing or worsening impacts of COVID-19 discussed under "Significant changes in state of affairs" above and in the notes to the accounts.

Auditor's independence

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is included opposite and forms part of this Director's Report.

Rounding

Teachers Mutual Bank Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

Prudential disclosures

Prudential disclosures made in accordance with Australian Prudential Standard APS330 Public Disclosure can be located on the Bank's website at www.tmbl.com.au/about/reports-and-disclosures.

This report is made in accordance with a resolution of the Board of Directors.

Signed on behalf of the Board of Directors by:

Maree O'Halloran	Tyrone Carlin
Chairperson	*Director and Chair of the Audit Committee*

Signed and dated 31 August 2020.

Auditor's declaration of independence

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Teachers Mutual Bank Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 28 August 2020

Financial statements and notes

Notes to the financial statements

TEACHERS MUTUAL BANK LIMITED

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Statement of comprehensive income

For the year ended 30 June 2020

	Note(s)	2020 $'000		2019 $'000	
		Consolidated	Parent	Consolidated	Parent
Interest revenue	2a	260,920	260,920	295,658	295,658
Interest expense	2c	(110,634)	(110,636)	(143,431)	(143,435)
Net interest revenue		**150,286**	**150,284**	**152,227**	**152,223**
Fees, commission and other income	2b	27,579	23,140	34,086	22,938
Total revenue		**177,865**	**173,424**	**186,313**	**175,161**
Less: Non-interest expenses					
- Impairment losses on loans and advances	2d	(3,696)	(3,696)	(1,854)	(1,854)
General administration	2e				
- Employees, compensation and benefits		(78,648)	(77,886)	(73,971)	(73,118)
- Depreciation and amortisation		(6,468)	(6,468)	(9,153)	(9,153)
- Auditor's remuneration		(251)	(241)	(273)	(268)
- Transaction expenses		(15,121)	(15,121)	(14,523)	(14,523)
- Information technology		(12,941)	(12,928)	(13,882)	(13,855)
- Office occupancy		(3,904)	(3,904)	(3,604)	(3,604)
- Research, marketing, sponsorship and events		(6,216)	(6,214)	(6,508)	(6,499)
- Professional fees		(1,858)	(1,858)	(1,694)	(1,694)
- Travel cost of sales		(3,962)	-	(10,149)	-
- Other administration		(7,217)	(7,113)	(12,057)	(11,944)
Total general administration		**(136,586)**	**(131,733)**	**(145,814)**	**(134,658)**
Total non-interest expenses		**(140,282)**	**(135,429)**	**(147,668)**	**(136,512)**
Profit before income tax		**37,583**	**37,995**	**38,645**	**38,649**
Income tax expense	3	(11,885)	(11,998)	(11,584)	(11,585)
Profit after income tax		**25,698**	**25,997**	**27,061**	**27,064**
Other comprehensive income					
- Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	23	919	919	(1,945)	(1,945)
Total comprehensive income		**26,617**	**26,916**	**25,116**	**25,119**

Statement of changes in member equity

For the year ended 30 June 2020

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
CONSOLIDATED					
Balance as at 1 July 2018	746	13,768	298	511,252	526,064
Changes on initial adoption of AASB 9 and AASB 15 (Note 1f)	-	-	-	(1,955)	(1,955)
Restated balance as at 1 July 2018	746	13,768	298	509,297	524,109
Total comprehensive income for the year – as reported	-	-	(1,945)	27,061	25,116
Subtotal	746	13,768	(1,647)	536,358	549,225
Transfers to (from) reserves	50	778	-	(828)	-
Total at 30 June 2019	**796**	**14,546**	**(1,647)**	**535,530**	**549,225**
CONSOLIDATED					
Balance as at 1 July 2019	796	14,546	(1,647)	535,530	549,225
Total comprehensive income for the year – as reported	-	-	919	25,698	26,617
Subtotal	796	14,546	(728)	561,228	575,842
Transfers to (from) reserves	39	4,258	-	(4,297)	-
Total at 30 June 2020	**835**	**18,804**	**(728)**	**556,931**	**575,842**

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
PARENT					
Balance as at 1 July 2018	746	13,768	298	510,573	525,385
Changes on initial adoption of AASB 9 and AASB 15 (Note 1f)	-	-	-	(1,955)	(1,955)
Restated balance as at 1 July 2018	746	13,768	298	508,618	523,430
Total comprehensive income for the year – as reported	-	-	(1,945)	27,064	25,119
Subtotal	746	13,768	(1,647)	535,682	548,549
Transfers to (from) reserves	50	778	-	(828)	-
Total at 30 June 2019	**796**	**14,546**	**(1,647)**	**534,854**	**548,549**
PARENT					
Balance as at 1 July 2019	796	14,546	(1,647)	534,854	548,549
Total comprehensive income for the year – as reported	-	-	919	25,997	26,916
Subtotal	796	14,546	(728)	560,851	575,465
Transfers to (from) reserves	39	4,258	-	(4,297)	-
Total at 30 June 2020	**835**	**18,804**	**(728)**	**556,554**	**575,465**

Statement of financial position

For the year ended 30 June 2020

	Note(s)	2020 $'000		2019 $'000	
		Consolidated	Parent	Consolidated	Parent
ASSETS					
Cash on hand and deposits at call		88,156	88,155	221,719	221,719
Receivables from financial institutions	4	1,353,345	1,353,345	1,251,759	1,251,759
Derivative assets held for hedging purposes	5	564	564	552	552
Receivables	6	13,690	13,551	8,770	8,408
Prepayments		4,810	4,810	4,685	4,685
Loans and advances to members	7 & 8	6,620,270	6,620,270	6,499,730	6,499,730
Assets at fair value through other comprehensive income	9	5,146	5,145	5,145	5,145
Investments in controlled entities	10	-	147	-	147
Property, plant and equipment	11	36,163	36,163	35,819	35,819
Right-of-use assets	14	4,227	4,227	-	-
Taxation assets	12	11,661	11,529	9,709	9,665
Intangible assets	13	2,619	2,619	4,119	4,119
Total assets		**8,140,651**	**8,140,525**	**8,042,007**	**8,041,748**
LIABILITIES					
Borrowings		-	-	-	-
Wholesale sector funding	15	617,508	617,508	834,672	834,672
Retail deposits	16	6,862,679	6,863,284	6,569,028	6,570,030
Derivative liabilities	5	1,674	1,674	2,250	2,250
Creditors, accruals and settlement accounts	17	13,194	12,982	26,329	25,883
Taxation liabilities	18	2,830	2,829	1,080	1,072
Provisions	19	42,664	42,523	39,368	39,237
Lease liabilities	14	4,225	4,225	-	-
Subordinated debt	20	20,035	20,035	20,055	20,055
Total liabilities		**7,564,809**	**7,565,060**	**7,492,782**	**7,493,199**
Net assets		**575,842**	**575,465**	**549,225**	**548,549**
MEMBERS' EQUITY					
Capital reserve account	21	835	835	796	796
General reserve for credit losses	22	18,804	18,804	14,546	14,546
Cash flow hedge reserve	23	(728)	(728)	(1,647)	(1,647)
Retained earnings		556,931	556,554	535,530	534,854
Total members' equity		**575,842**	**575,465**	**549,225**	**548,549**

Statement of cash flows

For the year ended 30 June 2020

	Note(s)	2020 $'000		2019 $'000	
		Consolidated	Parent	Consolidated	Parent
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		263,332	263,331	294,841	294,779
Fees and commissions		13,164	13,164	16,671	16,671
Dividends received		566	566	214	214
Other non-interest income received		11,282	6,835	12,762	1,606
Interest paid on deposits		(122,068)	(122,070)	(134,867)	(134,875)
Borrowing costs		(20)	(20)	(83)	(17)
Capital raising – subordinated debt		(758)	(758)	(951)	(951)
Expenses paid to suppliers and staff		(128,469)	(123,617)	(129,761)	(118,619)
Income tax paid		(13,372)	(13,390)	(12,525)	(12,618)
Net increase in loans and advances to members		(120,482)	(120,482)	(489,873)	(489,873)
Net increase in retail deposits		284,404	284,018	752,980	753,090
Net cash flows from / (used in) operating activities	36b	**187,579**	**187,577**	**309,408**	**309,407**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(4,280)	(4,280)	(5,667)	(5,667)
Acquisition of intangible assets		(338)	(338)	(979)	(979)
Sale of property, plant and equipment		113	113	3,151	3,151
Acquisition of other investments		(1)	-	-	-
(Increase) decrease in deposits with other financial institutions		(101,586)	(101,586)	(318,249)	(318,248)
Net cash received on transfer of engagement		-	-	-	-
Net cash flows from / (used in) investing activities		**(106,092)**	**(106,091)**	**(321,744)**	**(321,743)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		(214,492)	(214,492)	163,171	163,171
Proceeds of issue of subordinated debt		-	-	-	-
Lease payments		(558)	(558)	-	-
Net cash flows from / (used in) financing activities		**(215,050)**	**(215,050)**	**163,171**	**163,171**
CASH HELD					
Net increase (decrease) in cash held		(133,563)	(133,564)	150,835	150,835
Add opening cash brought forward		221,719	221,719	70,884	70,884
Closing cash carried forward	36a	**88,156**	**88,155**	**221,719**	**221,719**

Notes to the financial statements

1. Statement of accounting policies

a. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. Teachers Mutual Bank Limited is a for-profit entity for the purpose of preparing the financial statements.

Teachers Mutual Bank Limited is the Group's ultimate parent company and its controlled entities are Q.T. Travel Pty Ltd, Tertiary Travel Service Pty Ltd and Edsec Funding Trust No. 1 for the year ended 30 June 2020.

The consolidated financial statements for the year ended 30 June 2020 were authorised for issue on 31 August 2020, in accordance with a resolution of the Board of Directors.

b. Basis of measurement

The financial statements are prepared on an accruals basis and are based on historical costs, which do not take into account changing money values, current values or non-current assets, except for the treatment of derivative financial instruments stated in Note 1g, broker trail commission asset and liability stated in Note 1e, employee entitlements stated in Note 1l and leasehold make good costs stated in Note 1m. Accounting policies are consistent with the prior financial year unless otherwise stated.

c. Changes in significant accounting policies

New standards applicable for the current year

AASB 16 Leases

The AASB 16 standard replaces AASB 117 Leases and related interpretations. For lessors, the new guidelines result in an outcome that remains substantially unchanged from before, but for lessees there are significant changes. AASB 16 has removed the distinction between operating and finance leases, and requires the recognition of both an asset (the right to use the leased asset) and a lease liability (the obligation to make the rental payments). An optional exemption also exists for short-term and low-value leases.

The Group has applied the new standard as at 1 July 2019 using the modified retrospective approach. Under this approach (as permitted under the transition provisions) the Group is not required to restate comparatives for the 2019 reporting period. The Group was also able to choose, on a lease-by-lease basis, to measure the right-of-use asset as equal to the lease liability. The reclassifications and the adjustments arising from these new rules are therefore recognised in the opening balance sheet on 1 July 2019. The new accounting policies are disclosed below.

The Group has elected (at the date of initial application of the standard) to reassess whether a contract is, or contains, a lease. As such, contracts not previously identified as leases under AASB 117 and Interpretation 4 have been reassessed under AASB 16. Therefore, the new definition of a lease has been applied to all contracts active as at 1 July 2019.

In applying AASB 16 for the first time, the Group has the ability to use the following practical expedients permitted by the standard:

- applying a discount rate for every individual lease;
- relying on previous assessments of whether leases are onerous as an alternative to performing an impairment review – note that there were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.5%.

Measurement of lease liabilities

	2019 $'000	
	Consolidated	**Parent**
Operating lease commitments disclosed as at 30 June 2019	477	477
Discounted using the Group's incremental borrowing rate at the date of initial application	(271)	(271)
Finance lease liabilities recognised as at 30 June 2019	-	-
Short-term leases not recognised as a liability	(167)	(167)
Low-value leases not recognised as a liability	-	-
Contracts reassessed as lease contracts	554	554
Adjustments as a result of a different treatment of extension and termination options	1,385	1,385
Adjustments relating to changes in the index or rate affecting variable payments	-	-
Lease liabilities recognised as at 1 July 2019	**1,978**	**1,978**
Of which are:		
Current lease liabilities	263	263
Non-current lease liabilities	1,715	1,715
Total	**1,978**	**1,978**

Adjustments recognised in the balance sheet on 1 July 2019

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

	$'000			
	Carrying amount at 30 June 2019	**Reclassification**	**Remeasurement**	**AASB 16 carrying amount at 1 Jul 2019**
Right-of-use assets	-	-	1,978	1,978
Prepayments	10	(10)	-	-
Lease liabilities	-	10	(1,978)	(1,968)

There is no impact on retained earnings on 1 July 2019.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

On 1 July 2019, the Group adopted AASB Interpretation 23 Uncertainty over income tax treatments. This AASB interpretation clarifies how to apply the recognition and measurement requirements in AASB 112 Income taxes when there is uncertainty over income tax treatments.

Interpretation 23 should be considered separately or together with one or more other uncertain tax treatments, depending on which approach better predicts the resolution of the uncertainty. An assessment is required for each uncertain tax treatment to determine if it is probable that a taxation authority will accept the treatment. If acceptance of a tax treatment is not considered probable, the effect of the uncertainty is required to be included in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. Interpretation 23 did not have an impact on the Group financial statements.

d. Basis of consolidation

The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2020. A Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and Other Comprehensive Income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests.

e. Financial assets and liabilities

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

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

Classification of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

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

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through Other Comprehensive Income (FVOCI).

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

Classifications are determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial assets.

Subsequent measurement of financial assets

Financial assets at amortised costs

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade receivables fall into this category of financial instruments as well as bonds that were previously classified as held to maturity under AASB 139.

Financial assets at FVPL

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

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in Other Comprehensive Income and are never reclassified to profit or loss. Dividends from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital.

Loans and advances to members

Loans and advances to members include:

- loans and advances measured at amortised cost – initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVPL or designated as at FVPL – measured at fair value with changes recognised immediately in profit or loss; and
- broker trail commission asset – based on the net present value of the expected future trail commission expenses.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repurchase agreement (repo) or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

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

Loans and advances to customers included:

- those classified as loans and receivables; and
- those designated as at FVPL.

Loans and advances to members were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

When the Group purchased a financial asset and simultaneously entered into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement was accounted for as a loan or advance, and the underlying asset was not recognised in the Group's financial statements.

Interest earned

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

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

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

Credit cards – interest is calculated on the outstanding balance, after any interest free period applicable. Interest is charged in arrears to a members account on the last day of the statement period.

Balance offset loans – interest is calculated on the same basis as variable rate loans but with the daily balance outstanding reduced by the balance held in the offset savings account for that day.

Nonaccrual loan interest – while still legally recoverable, interest is not brought to account as income where the loan is impaired.

Loan origination fees and discounts

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

Transaction costs

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

Fees on loans

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

Net gains and losses

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

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. There were no changes to any of the Group's business models during the current year (2019: Nil).

Classification of financial liabilities

Deposits from members and other financial institutions

Deposits from members include term deposits, savings deposits, and other demand deposits.

Deposits from other financial institutions include term deposits, floating rate notes (FRNs) and negotiable certificates of deposit (NCDs). Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest incurred is recognised within net interest income using the effective interest method.

Bank borrowings and subordinated debt

Bank borrowings include short- and long-term debt issues of the Group and consist of commercial paper, securitisation notes, covered bonds and medium term notes.

Debt issues are initially measured at fair value and subsequently measured at amortised cost.

Premiums, discounts and associated issue expenses are recognised in the income statement using the effective interest method from the date of issue, to ensure the carrying value of securities equals their redemption value by maturity date. Interest is recognised in the statement of comprehensive income using the effective interest method. Any profits or losses arising from redemption prior to maturity are taken to the income statement in the period in which they are realised.

f. Loan impairment

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss' (ECL) model. Instruments within the scope of the new requirements include loans to members and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVPL.

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (performing loans) (Stage 1); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).

Stage 3 would cover financial assets that have objective evidence of impairment (loans in default) at the reporting date.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group has identified particular loans to members where, due to impacts of the pandemic, a repayment deferral has been contractually provided. As at 30 June 2020, these loans are allocated to Stages 2 and 3 despite some loans returning to making their contractual repayments.

Measurement of ECL

For Stage 1, 12-month expected credit losses are recognised while for Stage 2 and 3 lifetime expected credit losses are recognised. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. They are measured as follows:

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

The critical assumptions used in the calculation are as set out in Note 8. Note 24 details the credit risk management approach for loans.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- increasing probability that the borrower will enter bankruptcy or other financial reorganisation; and/or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

General Reserve for Credit Losses

The General Reserve for Credit Losses is a reserve in respect of Credit Losses prudently estimated but are not certain to arise over the life of individual loan facilities provided by the Group. The reserve is made as an allocation from retained earnings.

A historical probability of default and loss given default (LGD) are calculated and projected over the expected life of the loan portfolio to identify expected losses on loan facilities. This result is compared to expected losses that would arise should the minimum LGD levels specified by APRA under an internal ratings based approach be applied. The Reserve is set at the greater of the two calculations. The Board considers whether there are any significant environmental factors that warrant adjustment to the Reserve and makes increasing adjustments should it judge it appropriate.

g. Derivative financial instruments

Interest rate swaps

The Group transacts interest rate swaps to manage interest rate risk. These are recognised at fair value at the date of the contract and are reported at fair value at subsequent reporting dates. Resulting gains or losses are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in Other Comprehensive Income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

Hedge accounting

The Group determines that any proposed hedging instrument to be used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item before entering the hedge. The relationship between the hedging instrument and the hedged item, its risk management objectives, and its strategy is documented at the inception of the hedge. Existing hedges are tested on a retrospective basis to ensure that gains and losses on any ineffective portion of hedges are reported through profit and loss. Fair values of derivative instruments used for hedging purposes are provided at Note 29. Movements in the hedging reserve are provided at Note 23.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

h. Cash and cash equivalents

Cash comprises cash on hand, demand deposits and restricted access accounts.

Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Restricted access accounts represent the Group's security deposit obligations with Cuscal Limited (Cuscal).

i. Property, plant and equipment

Land and buildings are measured at cost, net of accumulated depreciation and impairment charges.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. Useful lives are adjusted at each reporting date where appropriate. Estimated useful lives as at the balance date are:

- **Buildings** – 40 years;
- **Leasehold improvements** – the term of the lease; and
- **Plant and equipment** – 2.5 to 12 years.

j. Intangible assets

Items of computer software which are not integral to computer hardware owned by the Group are classified as intangible assets and amortised over an expected useful life of 2.5 to 4 years.

k. Investment in controlled entities

Investments in controlled entities are carried at cost, net of amortisation and impairment and eliminated on consolidation.

l. Provision for employee benefits

Employee benefits expected to be settled within 12 months of the end of the reporting period have been measured at their nominal amount. Employee benefits not expected to be settled within 12 months of the end of the reporting period are stated at present value, using expected settlement timings and discount rates equivalent to government – guaranteed securities of a similar term. Employee benefits consist of sick leave, annual leave and long service leave. Sick leave is short-term, non-vesting and accumulating.

m. Leases

Group as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs, and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the Group is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease unless the Group is reasonably certain not to terminate the lease early.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured if:

- there is a change in future lease payments arising from a change in an index or rate;
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option; or
- there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, unless the right-of-use asset has been reduced to zero, in which case the adjustment is recorded in profit or loss.

Short-term leases and leases of low-value assets

The Group has not elected to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment and small items of office furniture.

	30 June 2020 $'000
Short-term leases	218
Leases of low-value assets	-
Variable lease payments	-
Total	**218**

Group as a lessor

The Group's accounting policy under AASB 16 has not changed from the comparative period. As a lessor, the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, or is an operating lease if it does not.

Critical judgements in determining the lease term

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of property, the following factors are normally the most relevant:

- if there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate); and/or
- otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options or not exercise a termination option.

The lease term is reassessed if an option is actually exercised (or not exercised) or if the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment, and that is within the control of the Group.

During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of $1,384,813.

Leasehold make good

Provision for make good costs on operating leases is based on the net present value of future expenditure at the conclusion of the lease term, discounted at interest rates attaching to government-guaranteed securities for terms to maturity approximating the terms of the related liability. Increases in the provision in future years are recognised as part of the interest expense.

n. Income tax

Income tax expense presented in the statement of comprehensive income is based on profit before income tax is adjusted for non-tax deductible or non-assessable items. Deferred tax assets and liabilities are recognised using the statement of financial position liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity, are also recognised directly in equity.

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

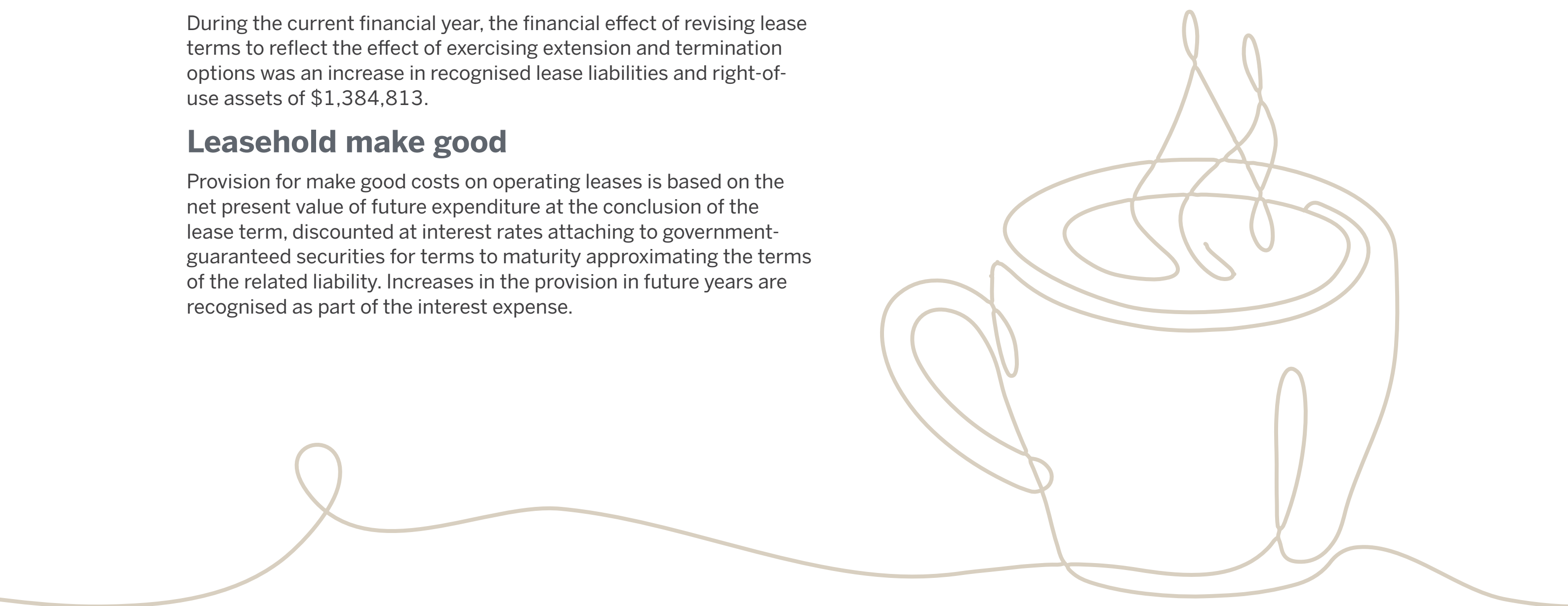
Deferred tax assets are brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation, that the Group will derive sufficient future assessable income, and that the Group will comply with deductibility conditions imposed by law.

o. Goods and services tax (GST)

The Group is input-taxed on all income except commissions and some fees. As some income is subject to GST, the Group determines recoverable GST through analysis of activities and costs pertaining to income. In addition, certain prescribed purchases are subject to reduced input tax credits, with 75% of GST paid being recoverable.

Revenue, expenses and assets are recognised net of GST, unless the GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item's expense.

Receivables and payables are stated inclusive of GST where applicable. The net amount of GST receivable or payable is recorded as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on an inclusive basis of unrecoverable GST. The GST components of cash flows arising from investing and financing activities are classified as operating cash flows.



p. Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their market value as at the date of exchange, unless it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Transaction costs of business acquisitions other than for the issue of equity instruments are expensed as incurred and as operating expenses.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in comprehensive income.

q. Repurchase agreement (repo) securitisation trust consolidation

The Parent maintains a securitisation trust that issues notes that meet the RBA's criteria for borrowing funds via repos for emergency liquidity requirements only. The Parent holds all notes issued by the trust, manages the loans, and retains all residual benefits and costs of the portfolio. Accordingly:

(a) The trust meets the definition of a controlled entity; and

(b) As the Parent has not transferred all risks and rewards to the trust, the assigned loans are not derecognised in the financial statements of the Parent.

The Group presents a set of financial statements representing the consolidated financial performance and financial position of the Parent consisting of the bank and the securitisation trust; as well as the consolidated financial performance and financial position of the Group consisting of the Parent, the securitisation trust and any subsidiaries.

r. Impairment of assets

The Group assesses whether there are any impairment indicators for individual assets at each reporting date. If impairment indicators exist, the recoverable amount is compared to the carrying value and any shortfalls are recognised in the statement of comprehensive income. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

To assess value in use, estimated cash flows are discounted to present value using a pre-tax discount rate reflecting current market rates and the risks specific to the asset. Where it is not possible to estimate a recoverable amount for an individual asset, a recoverable amount is determined for the cash-generating unit to which the asset belongs.

s. Accounting estimates and judgements

Management has made critical accounting estimates when applying the Group's accounting policies with respect to:

- The measurement of ECL allowance – Note 8. The approach to estimation of impairment was revised following the adoption of AASB 9, effective 1 July 2018. Key areas of judgement to be considered under AASB 9 include:
  - recognition of Credit Losses based on Stage 1 12-month expected losses as well as Stage 2 and Stage 3 lifetime expected Credit Losses;
  - determining criteria for significant increase in credit risk – an asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information;
  - choosing appropriate models and assumptions tor the measurement of ECL;
  - establishing groups of similar financial assets for the purposes of measuring ECL – when ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics; and
- Determination of lease term – Note 14. In the current year, the lease term was revised following the adoption of AASB 16 effective 1 July 2019.

t. Assets measured at fair value

Assets measured at fair value have been classified according to the following hierarchy:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- **Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Income Statement

a. Analysis of interest revenue

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST REVENUE				
Cash – deposits at call	1,257	1,257	2,493	2,493
Receivables from financial institution deposits	20,640	20,640	28,570	28,570
Loans and advances to members	236,781	236,781	264,087	264,087
Derivatives interest income	2,242	2,242	447	447
Other	-	-	61	61
Total interest revenue	**260,920**	**260,920**	**295,658**	**295,658**

b. Non-interest revenue

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
FEE AND COMMISSION REVENUE				
Loan fee income – other than loan origination fees	3,526	3,526	2,850	2,850
Other fee income	1,526	1,526	2,986	2,986
Insurance commissions	3,325	3,325	4,336	4,336
Other commissions	6,163	6,163	6,672	6,672
Total fee and commission revenue	**14,540**	**14,540**	**16,844**	**16,844**

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER INCOME				
Dividends received	566	566	214	214
Bad debts recovered	1,068	1,068	1,115	1,115
Gain on disposal of assets:				
- Property, plant and equipment	113	113	3,151	3,151
- Investments	12	12	-	-
Transfers from provisions:				
- Impairment losses on loans and advances	-	-	7	7
- Director development	8	8	-	-
Travel income from sales	4,439	-	11,148	-
JobKeeper payment	5,361	5,361	-	-
Miscellaneous revenue	1,472	1,472	1,607	1,607
Total non-interest revenue	**27,579**	**23,140**	**34,086**	**22,938**

c. Interest expenses

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST EXPENSES				
Overdraft	20	20	17	17
Short-term borrowing	-	-	5	5
Wholesale sector funding	11,439	11,439	20,542	20,542
Wholesale deposits	1,681	1,681	3,345	3,345
Retail deposits	92,612	92,614	118,188	118,192
Derivatives interest expense	4,021	4,021	392	392
Subordinated debt interest expense	738	738	942	942
Other	123	123	-	-
Total interest expenses	**110,634**	**110,636**	**143,431**	**143,435**

d. Impairment losses

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
LOANS AND ADVANCES CARRIED AT AMORTISED COST				
Increase in provision for impairment	2,006	2,006	-	-
Bad debts written off directly against profit	1,690	1,690	1,854	1,854
Total impairment losses	**3,696**	**3,696**	**1,854**	**1,854**

e. Prescribed expenses

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
EMPLOYEE COSTS				
Personnel costs	69,685	68,988	65,301	64,525
Superannuation contributions	6,000	5,935	5,584	5,507
Net movement in provisions for employee annual leave	823	823	1,226	1,226
Net movement in provisions for employee long service leave	2,105	2,105	1,742	1,742
Net movement in provisions for employee sick leave	35	35	118	118
Total employee costs	**78,648**	**77,886**	**73,971**	**73,118**
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	863	863	851	851
Plant and equipment	2,774	2,774	3,065	3,065
Right-of-use assets	666	666	-	-
Leasehold improvements (including lease make good provisions)	226	226	208	208
Written-down value of assets disposed	101	101	2,719	2,719
Intangible assets – computer software	1,838	1,838	2,310	2,310
Total depreciation and amortisation expenses	**6,468**	**6,468**	**9,153**	**9,153**
AUDITOR'S REMUNERATION				
Audit and review of financial statements:				
- Audit services: Grant Thornton	227	217	211	206
Other services:				
- Compliance	19	19	57	57
- Other	5	5	5	5
Total auditor's remuneration	**251**	**241**	**273**	**268**
OTHER OPERATING EXPENSES				
Transaction expenses*	15,121	15,121	14,523	14,523
Information technology	12,941	12,928	13,882	13,855
Office occupancy	3,904	3,904	3,604	3,604
Net movement in provisions for director development	-	-	29	29
Research, marketing, sponsorships and events	6,216	6,214	6,508	6,499
Professional fees	1,858	1,858	1,694	1,694
Travel cost of sales	3,962	-	10,149	-
Statement and postage costs	1,849	1,849	1,881	1,881
Other administration	5,368	5,264	10,147	10,034
Total other operating expenses	**51,219**	**47,138**	**62,417**	**52,119**
Total general administration	**136,586**	**131,733**	**145,814**	**134,658**

*Treasury-related expenses for 2019 have been reallocated from Professional fees and Other administration to Transaction expenses.

3. Income tax expense

a. The income tax expense comprises amounts set aside as:

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Provision for income tax – current year	12,827	12,826	12,524	12,521
Under (over) provision in prior years	677	677	(42)	(42)
Decrease (increase) in the deferred tax asset	(1,619)	(1,505)	(898)	(894)
Income tax expense attributable to profit	**11,885**	**11,998**	**11,584**	**11,585**

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit before income tax	**37,583**	**37,995**	**38,645**	**38,649**
Prima facie tax payable on profit before income tax at 30%	11,286	11,399	11,594	11,595
Add: Tax effect of expenses not deductible	62	62	97	97
Less: Tax effect of income not assessable	(1)	(1)	(1)	(1)
Subtotal	**11,347**	**11,460**	**11,690**	**11,691**
Add: Adjustments to recognise deferred tax assets	1,650	1,536	898	894
Less: Franking rebate	(170)	(170)	(64)	(64)
Current income tax provision attributable to profit	**12,827**	**12,826**	**12,524**	**12,521**

c. Franking credits

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	220,274	219,885	207,031	206,642

4. Receivables from financial institutions at amortised cost

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit	126,506	126,506	426,716	426,716
Floating rate notes	1,112,111	1,112,111	750,663	750,663
Promissory note	-	-	34,883	34,883
Residential mortgage-backed securities	76,605	76,605	-	-
Other	38,123	38,123	39,497	39,497
Total receivables from financial institutions	**1,353,345**	**1,353,345**	**1,251,759**	**1,251,759**

5. Derivative financial instruments at fair value through Other Comprehensive Income

The tables below provide the fair values and notional amounts of derivative financial instruments held by the Group. The notional amount is reported gross at the amount of the 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 value of transactions open at year end and are not indicative of market risk or credit risk. Fair value measurement is classified as Level 2 in the fair value hierarchy and the methodology and basis for valuation is explained in Note 1t.

Derivatives designated as cash flow hedges

	2020 $'000 Parent & Consolidated		2019 $'000 Parent & Consolidated	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	564	1,674	552	2,250

Net movement on derivatives during the year

	2020 $'000 Parent & Consolidated	2019 $'000 Parent & Consolidated
Recognised in interest income	(332)	(52)
Recognised to other comprehensive income	919	(1,945)
Total	**587**	**(1,997)**

Notional principal amounts and period of expiry of interest rate swap contracts

	2020 $'000 Parent & Consolidated			2019 $'000 Parent & Consolidated		
	Pay fixed	Receive fixed	Notional amount	Pay fixed	Receive fixed	Notional amount
Within 1 year	50,400	-	50,400	210,600	-	210,600
> 1 to 2 years	16,000	-	16,000	50,400	-	50,400
> 2 to 3 years	-	-	-	16,000	-	16,000
> 3 to 4 years	-	-	-	-	-	-
> 4 to 5 years	-	-	-	-	-	-
> 5 years	-	-	-	-	-	-
Total	**66,400**	**-**	**66,400**	**277,000**	**-**	**277,000**

Edsec Funding Trust No. 1 (see Note 35) entered into a fixed-for-floating swap of $368 million with a third party on 15 April 2019 with a 5-year term. The Parent has entered into a back-to-back swap with the same third party. The transactions result in a legally enforceable offsetting arrangement which has not been disclosed in the table above.

6. Receivables at amortised cost

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Interest receivable on deposits with other financial institutions	1,882	1,882	3,860	3,860
Sundry debtors and settlement accounts	11,808	11,669	4,910	4,548
Total receivables	**13,690**	**13,551**	**8,770**	**8,408**

7. Loans and advances at amortised cost

a. Amount due

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Overdrafts and credit cards	73,547	73,547	94,608	94,608
Term loans	6,523,827	6,523,827	6,379,887	6,379,887
Overdrawn savings	89	89	118	118
Subtotal	**6,597,463**	**6,597,463**	**6,474,613**	**6,474,613**
Add: Amortised loan origination transaction costs and broker commission, net of fees	29,369	29,369	29,673	29,673
Subtotal	**6,626,832**	**6,626,832**	**6,504,286**	**6,504,286**
Less: Provision for impaired loans as detailed in Note 8	(6,562)	(6,562)	(4,556)	(4,556)
Total loans and advances to members	**6,620,270**	**6,620,270**	**6,499,730**	**6,499,730**

b. Credit quality – security held against loans

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Secured by mortgage over business assets	3	3	-	-
Secured by mortgage over real estate	6,449,275	6,449,275	6,288,709	6,288,709
Partly secured by goods mortgage	9,260	9,260	9,514	9,514
Wholly unsecured	138,925	138,925	176,390	176,390
Total	**6,597,463**	**6,597,463**	**6,474,613**	**6,474,613**

It is not practicable to value all collateral as at the balance date due to the variety and condition of assets. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:				
– Loan to valuation ratio of less than 80%	4,852,446	4,852,446	4,758,130	4,758,130
– Loan to valuation ratio of more than 80% but mortgage insured	1,451,908	1,451,908	1,391,017	1,391,017
– Loan to valuation ratio of more than 80% and not mortgage insured	144,921	144,921	139,562	139,562
Total	**6,449,275**	**6,449,275**	**6,288,709**	**6,288,709**

c. Concentration of loans by purpose

The values discussed below include on-statement of financial position values and off-statement of financial position undrawn facilities as described in Note 30.

i) There are no members who individually or collectively have loans, which represent 10% or more of members' equity; and

ii) Details of classes of loans, which represent in aggregate, 10% or more of members' equity, are set out below.

BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
NSW Department of Education	1,497,541	1,497,541	1,594,761	1,594,761
State Super Financial Services	156,358	156,358	149,416	149,416
WA Department of Education	116,784	116,784	118,034	118,034
ACT Department of Treasury	112,413	112,413	111,283	111,283
Catholic Education Office	77,121	77,121	84,008	84,008
QLD Department of Education	64,884	64,884	54,736	54,736
Teachers Mutual Bank Limited employees	58,386	58,386	58,324	58,324

NUMBER OF MEMBERSHIPS WITH LOANS THAT ARE RECEIVING PAYMENTS FROM:	2020 Number		2019 Number	
	Consolidated	Parent	Consolidated	Parent
NSW Department of Education	10,500	10,500	11,713	11,713
State Super Financial Services	3,675	3,675	4,289	4,289
WA Department of Education	511	511	514	514
ACT Department of Treasury	518	518	554	554
Catholic Education Office	386	386	420	420
QLD Department of Education	304	304	288	288
Teachers Mutual Bank Limited employees	326	326	345	345

iii) Geographical concentrations including loan balances and loan financial commitments in Notes 30a, 30b and 30c.

	2020 $'000				2019 $'000			
	Parent & Consolidated				Parent & Consolidated			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	4,582,901	427,744	33	5,010,678	4,458,822	541,767	33	5,000,622
Western Australia	700,206	30,412	670	731,288	684,530	39,743	699	724,972
Queensland	659,453	20,033	-	679,486	579,682	21,468	-	601,150
Victoria	558,423	12,487	1	570,911	429,305	12,191	-	441,496
Australian Capital Territory	375,569	15,419	-	390,988	356,115	21,230	-	377,345
South Australia	63,557	2,092	-	65,649	57,871	2,723	-	60,594
Tasmania	55,536	1,821	-	57,357	44,853	1,975	-	46,828
Northern Territory	24,162	2,002	-	26,164	21,357	2,428	-	23,785
Other	55	5,495	-	5,550	93	6,637	-	6,730
Total	**7,019,862**	**517,505**	**704**	**7,538,071**	**6,632,628**	**650,162**	**732**	**7,283,522**

d. Securitised loans

Non-derecognised securitised loans.

	2020 $'000	2019 $'000
	Parent & Consolidated	Parent & Consolidated
EdSec Funding Trust No. 1	908,522	1,162,287

8. Provision on impaired loans

Amounts arising from ECL

The loss allowance as of the year end by class of asset is summarised in the table below.

By security	2020 $'000			2019 $'000		
	Parent & Consolidated			Parent & Consolidated		
LOANS AND ADVANCES TO MEMBERS	Gross carrying value	ECL allowance	Carrying value	Gross carrying value	ECL allowance	Carrying value
Housing	6,449,081	(3,818)	6,445,263	6,288,075	(857)	6,287,218
Personal	76,963	(1,794)	75,169	94,990	(2,143)	92,847
Credit card	55,012	(672)	54,340	69,276	(1,079)	68,197
RediCredit	15,791	(278)	15,513	21,638	(477)	21,161
Total – households	**6,596,847**	**(6,562)**	**6,590,285**	**6,473,979**	**(4,556)**	**6,469,423**
Business	616	-	616	634	-	634
Total	**6,597,463**	**(6,562)**	**6,590,901**	**6,474,613**	**(4,556)**	**6,470,057**

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

By security LOANS AND ADVANCES TO MEMBERS	2020 $'000 Parent & Consolidated Stage 1 12 month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit impaired	Total
Housing	15	1,155	2,648	-	3,818
Personal	519	783	492	-	1,794
Credit card	138	291	243	-	672
RediCredit	29	175	74	-	278
Business	-	-	-	-	-
Loss allowance	701	2,404	3,457	-	6,562
Carrying amount	701	2,404	3,457	-	6,562

By security LOANS AND ADVANCES TO MEMBERS	2019 $'000 Parent & Consolidated Stage 1 12 month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit impaired	Total
Housing	108	235	514	-	857
Personal	942	463	738	-	2,143
Credit card	279	353	447	-	1,079
RediCredit	67	268	142	-	477
Business	-	-	-	-	-
Loss allowance	1,396	1,319	1,841	-	4,556
Carrying amount	1,396	1,319	1,841	-	4,556

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

LOANS AND ADVANCES TO MEMBERS	Parent & Consolidated Stage 1 12 month ECL	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Purchased credit impaired	Total
Balance at 1 July 2018	1,605	1,074	1,884	-	4,563
– Net movement due to change in credit risk	(215)	118	(427)	-	(524)
– Changes in models/risk parameters	6	127	384	-	517
Balance at 30 June 2019	1,396	1,319	1,841	-	4,556
– Net movement due to change in credit risk	(270)	486	125	-	341
– Changes in models/risk parameters	(425)	599	1,491	-	1,665
Balance at 30 June 2020	701	2,404	3,457	-	6,562

Key assumptions in determining ECL

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure (i.e., the higher of debit balance or the credit limit) at default (i.e., when the account becomes 90 days past due) (EAD); and
- discounting, being the weighted-average interest rate for the product set or class.

The PD and LGD are derived from analysis of historical data over a 12-month period. The PDs and LGDs chosen represent the average most conservative combination over a seven-year period.

PDs are calculated based on the number of accounts that become 90 days past due or are written off before they become 90 days past due in a 12-month period.

At this time, due to the impacts of the pandemic and future uncertainty, loans subject to a 'repayment deferral' have been allocated as notionally past due despite such loans not being contractually past due.

LGD is the magnitude of the likely loss if there is a default (i.e., the account becomes 90 days past due). LGD is calculated based on the amount ultimately written off compared to the exposure (i.e., the higher of the debit balance or credit limit) at the time the account become 90 days past due. In calculating ECL, future cash flows are discounted at the weighted-average interest rate for accounts in that product set or class.

Grouping of similar assets

Since the credit facilities are homogenous in terms of borrower type and contractual repayment terms, the lending portfolio is managed via product set or class.

For the purposes of calculating the impairment, the lending portfolio comprises:

- home loan portfolios – home loans secured by residential mortgages;
- personal loan portfolios;
- credit card portfolios;
- RediCredit portfolios – personal overdraft facilities; and
- commercial portfolios – secured by a combination of residential, commercial or other property.

The portfolios are subject to regular review to ensure that exposures within a particular portfolio remain appropriately homogeneous. Due to the impacts of the pandemic, Stage 3 of the impairment model has been assessed on an individual basis as well as a notional basis. Loans subject to a repayment deferral are notionally determined to be past due even though contractually such loans are not in default. Those loans that are considered to be notionally 90 or more days past due are included in Stage 3.

Significant increase in credit risk

As an extensive list of factors in defining a 'significant increase in credit risk' is not required to be developed, in assessing significant increases in credit risk, the following principles apply:

- Stage 1 – less than 30 days past due;
- Stage 2 – 30 to less than 90 days past due or has been approved to be subject to financial hardship and is less than 90 past due;
- Stage 3 – 90 or more days past due; and
- Loans that have or have had a repayment deferral and are not notionally 90 or more days past due.

ECL is calculated on the debit balance for Stage 1 and exposure for Stages 2 and 3. The PDs for each product set or class vary for each Stage (e.g. Stage 3 has a PD of 100%) while the LGD remains constant across all stages. Loans that have or have had a repayment deferral are considered, at this time, to have an increase in credit risk.

Incorporation of forward-looking information

The approach to determining ECL includes forward-looking information based on both the internal environment (e.g., a change in counterparties) and external environment (e.g., a change in economic conditions). The Group identified loans that are (or have been previously) subject to a repayment deferral. Over time it is expected that some of these loans will be allocated to Stage 1, once repayments have been demonstrated over an acceptable timeframe. The Group's statistical models align with this approach.

ECL is considered to represent the best estimate of the probable outcomes and is aligned with information used for other purposes such as the calculation of the General Reserve for Credit Losses, strategic planning and budgeting.

Periodic stress testing of more extreme shocks is undertaken to assess the impact of such possible scenarios.

As the ECL model is able to incorporate a forward-looking approach, changes to the model have been made to accommodate the notional past due value of the repayment deferral pool plus expected PDs and LGDs to provide for an overlay or buffer in the ECL itself. These have been compared against a 'base case' for reasonableness.

In view of the volatility, uncertainty, complexity and ambiguity of the impact of the pandemic on the economy, ECL may ultimately vary from what has been determined, despite the best efforts of the Group.

Management overlay

	$'000		
EXPECTED CREDIT LOSSES	**Historical LGDs and PDs**	**Adjustment for forward-looking information**	**Total**
Housing	(146)	(3,672)	(3,818)
Personal	(1,626)	(168)	(1,794)
Credit card	(615)	(57)	(672)
RediCredit	(253)	(25)	(278)
Total – households	**(2,640)**	**(3,922)**	**(6,562)**

Temporary loan repayment deferrals due to COVID-19

Many authorised deposit-taking institutions (ADIs) have granted temporary relief to borrowers impacted by COVID-19, allowing them to defer loan repayments for a period of time. As at 30 June 2020, loans subject to repayment deferrals for the Group amounted to 4.1% of total loans.

Loans subject to repayment deferrals for the industry*** amounted to 10% of total loans (***source: APRA Statistical Publication – Temporary loan repayment deferrals due to COVID-19 June 2020 – accessible version, released 4 August 2020).

	30 June 2020	
SHARE OF TOTAL LOANS	**Industry*** **	**Group**
Total loan deferrals	10%	4.1%
Housing loan deferrals	11%	4.3%
Small business loan deferrals	17%	0.0%

	$'000		
NUMBER OF LOAN FACILITIES*	**Industry*** **	**Group**	
	Share of total facilities	**Number of loan facilities**	**Share of total facilities**
Total	5%	791	1.3%
Housing	9%	769	3.2%
Small business	13%	-	0%

*The number of facilities does not necessarily indicate the number of borrowers, as individual facilities with more than one repayment type may be reported more than once.

Housing loan risk profiles**

	30 June 2020	
DEFERRED HOUSING LOANS (PERCENTAGE OF DEFERRED HOUSING LOANS)	**Industry*** **	**Group**
Loan to value ratio > 90%	8%	27%
Interest-only	14%	5%
Investor	34%	23%

	30 June 2020	
TOTAL HOUSING LOANS (PERCENTAGE OF TOTAL LOANS)	**Industry*** **	**Group**
Loan to value ratio > 90%	5%	13%
Interest-only	17%	4%
Investor	36%	21%

**To give an indicator of potential elevated risk in loans subject to deferral, this chart compares loans subject to deferral to total loans across three key cohorts: loan to value ratio (LVR) of greater than 90 per cent, investor loans and interest only loans.

	30 June 2020	
BORROWERS CONTINUING TO MAKE REPAYMENTS	**Industry*** **	**Group**
Partial repayments	9%	5%
Full repayments	11%	6%

9. Shares in unlisted companies at fair value through Other Comprehensive Income

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
SHARES IN UNLISTED COMPANIES				
Cuscal Limited (Cuscal)	5,145	5,145	5,145	5,145
Travellers Choice Limited	1	-	-	-
Total	**5,146**	**5,145**	**5,145**	**5,145**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

Cuscal is an ADI that supplies settlement, transaction processing, card, interchange and other services to organisations including mutual banks, credit unions and building societies. The volume of shares traded is low.

Management has used unobservable inputs to assess the fair value of these shares. Cuscal's financial reports disclose net tangible assets exceeding the value of shares on issue and the fair value of these shares is likely to exceed their cost. However a market value is not able to be readily determined. Dividend return in 2020 was 6.6 cents per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value.

The Group does not intend to dispose of these shares.

Travellers Choice Limited

Tertiary Travel Service Pty Ltd became a full member of the Travellers Choice Group in September 2019, purchasing 500 shares at $2 per share, to support the operations of the travel agency. The investment is held at cost. Management has determined that the cost value of $2.00 per share is a reasonable approximation of fair value given the recent purchase.

10. Investment in controlled entities

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
SHARES IN SUBSIDIARY				
Q.T. Travel Pty Ltd	-	47	-	47
Tertiary Travel Service Pty Ltd	-	100	-	100
Total investment in controlled entities	**-**	**147**	**-**	**147**

This note should be read in conjunction with Note 33d of the financial statements.

Q.T. Travel Pty Ltd

The shareholding in Diploma World Travel Service (Diploma Travel) is reported at cost. Diploma Travel ceased trading on 1 October 2017 and transferred all net assets to Tertiary Travel Service Pty Ltd.

Tertiary Travel Service Pty Ltd

The shareholding in Tertiary Travel Service is reported at cost. Tertiary Travel provides travel services to corporate and leisure clients.

The consolidated financial statements include the financial statements of the Parent and the subsidiaries listed in the following table:

NAME OF ENTITY	2020 Equity interest	2019 Equity interest	2020 $'000 Investment	2019 $'000 Investment
Q.T. Travel Pty Ltd	100%	100%	47	47
Tertiary Travel Service Pty Ltd	100%	100%	100	100

11. Property, plant and equipment

	2020 $'000		2019 $'000	
FIXED ASSETS	Consolidated	Parent	Consolidated	Parent
Land, at cost	**10,040**	**10,040**	**10,040**	**10,040**
Buildings, at cost	34,600	34,600	33,650	33,650
Less: Provision for depreciation	(17,233)	(17,233)	(16,368)	(16,368)
Net building	**17,367**	**17,367**	**17,282**	**17,282**
Total land and buildings	**27,407**	**27,407**	**27,322**	**27,322**
Plant and equipment, at cost	35,825	35,740	34,966	34,881
Less: Provision for depreciation	(27,976)	(27,891)	(26,781)	(26,696)
Total plant and equipment	**7,849**	**7,849**	**8,185**	**8,185**
Capitalised leasehold improvements, at cost	1,823	1,823	1,003	1,003
Less: Provision for amortisation	(916)	(916)	(691)	(691)
Total capitalised leasehold improvements	**907**	**907**	**312**	**312**
Total property, plant and equipment	**36,163**	**36,163**	**35,819**	**35,819**

Movement in asset balances during the year

CONSOLIDATED	Land	Building	Plant & equipment	Leasehold improvement	Total
			2020 $'000		
Opening balance	10,040	17,282	8,185	312	35,819
Additions	-	947	4,120	821	5,888
Less: Assets disposed	-	-	(1,681)	-	(1,681)
Less: Depreciation charge	-	(862)	(2,775)	(226)	(3,863)
Closing balance	**10,040**	**17,367**	**7,849**	**907**	**36,163**
			2019 $'000		
Opening balance	11,616	16,193	8,769	291	36,869
Additions	-	2,866	2,697	229	5,792
Less: Assets disposed	(1,576)	(927)	(216)	-	(2,719)
Less: Depreciation charge	-	(850)	(3,065)	(208)	(4,123)
Closing balance	**10,040**	**17,282**	**8,185**	**312**	**35,819**

PARENT	Land	Building	Plant & equipment	Leasehold improvement	Total
			2020 $'000		
Opening balance	10,040	17,282	8,185	312	35,819
Additions	-	947	4,120	821	5,888
Less: Assets disposed	-	-	(1,681)	-	(1,681)
Less: Depreciation charge	-	(862)	(2,775)	(226)	(3,863)
Closing balance	**10,040**	**17,367**	**7,849**	**907**	**36,163**
			2019 $'000		
Opening balance	11,616	16,193	8,769	291	36,869
Additions	-	2,866	2,697	229	5,792
Less: Assets disposed	(1,576)	(927)	(216)	-	(2,719)
Less: Depreciation charge	-	(850)	(3,065)	(208)	(4,123)
Closing balance	**10,040**	**17,282**	**8,185**	**312**	**35,819**

12. Taxation assets

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
DEFERRED INCOME TAX ASSETS				
Accrued expenses not deductible until incurred	195	193	279	275
Provisions for impairment on loans	2,014	2,014	1,389	1,389
Provisions for employee benefits	7,066	7,050	6,215	6,199
Provisions for other liabilities	1,330	1,330	1,187	1,187
Depreciation on fixed assets	227	227	223	223
Tax losses	114	-	24	-
Amortisation of intangible assets	15	15	51	51
Deferred tax assets	10,961	10,829	9,368	9,324
OTHER TAX ASSETS				
GST	348	348	-	-
Land tax	352	352	341	341
Total taxation assets	**11,661**	**11,529**	**9,709**	**9,665**

13. Intangible assets

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Computer software, at cost	21,631	21,631	21,293	21,293
Less: Provision for amortisation	(19,012)	(19,012)	(17,174)	(17,174)
Total intangible assets	**2,619**	**2,619**	**4,119**	**4,119**

Movement in balances during the year

	2020 $'000		2019 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Opening balance	4,119	4,119	5,451	5,451
Additions	338	338	978	978
Less: Amortisation charge	(1,838)	(1,838)	(2,310)	(2,310)
Less: Assets disposed	-	-	-	-
Closing balance	**2,619**	**2,619**	**4,119**	**4,119**

14. Leases

a. Amounts recognised in the balance sheet

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
RIGHT-OF-USE ASSET				
– Property	3,743	3,743	-	-
– Other	484	484	-	-
Closing balance	**4,227**	**4,227**	-	-

LEASE LIABILITIES				
– Current	625	625	-	-
– Non-current	3,600	3,600	-	-
Total lease liabilities	**4,225**	**4,225**	-	-

Additions to the right-of-use assets during the financial year were $2,785,134.

The Group has leases for offices and office equipment. Aside from short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index, are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 11). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

RIGHT-OF-USE ASSET	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office building	5	6-9 years	8 years	4	-	2	-
Office equipment	1	3 years	3 years	-	-	-	-

Future minimum lease payments at 30 June 2020 were as follows:

	MINIMUM LEASE PAYMENTS DUE			
30 JUNE 2020	Within 1 year	Between 2-5 years	After 5 years	Total
Lease payments	(726)	(2,623)	(1,283)	(4,632)
Finance charges	102	255	50	407
Net present values	(624)	(2,368)	(1,233)	(4,225)

b. Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2020 $'000	2019 $'000
DEPRECIATION CHARGE OF RIGHT-OF-USE ASSET		
Property	484	-
Other	182	-
Total	**666**	-

Interest expense (included in finance cost)	107	-
Expense relating to short-term leases (included in administrative expenses)	218	-
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

The total cash outflow for leases in FY2020 was $558,079.

15. Wholesale sector funding at amortised cost

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Overnight account	-	-	50,005	50,005
Negotiable certificates of deposit on issue	275,575	275,575	287,459	287,459
Floating rate notes on issue	300,999	300,999	402,080	402,080
Wholesale deposits	40,934	40,934	95,128	95,128
Total wholesale sector funding	**617,508**	**617,508**	**834,672**	**834,672**

16. Retail deposits at amortised cost

a. Retail deposits

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
At call	3,950,151	3,950,756	3,382,201	3,383,203
Term	2,910,421	2,910,421	3,184,776	3,184,776
Member withdrawable shares	2,107	2,107	2,051	2,051
Total retail deposits	**6,862,679**	**6,863,284**	**6,569,028**	**6,570,030**

b. Concentration of liabilities

i) There are no depositors who individually or collectively have deposits that represent 10% or more of total liabilities; and

ii) Details of classes of deposits that represent in aggregate 10% or more of total liabilities are set out below.

BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2020 $'000	2019 $'000
State Super Financial Services	1,871,076	1,712,133
NSW Department of Education	685,566	668,386

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2020 No.	2019 No.
State Super Financial Services	16,525	16,187
NSW Department of Education	24,390	25,929

iii) Geographical concentrations are as follows:

GEOGRAPHICAL CONCENTRATIONS	2020 $'000	2019 $'000
New South Wales	5,901,521	5,635,164
Western Australia	322,405	331,228
Queensland	175,410	157,844
Australian Capital Territory	172,098	166,438
Victoria	129,634	126,271
Other	99,588	95,571
South Australia	25,543	23,933
Tasmania	25,447	21,666
Northern Territory	9,531	9,864
Total	**6,861,177**	**6,567,979**

17. Creditors, accruals and settlement accounts

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Creditors and accruals	5,995	5,783	5,728	5,282
Unearned income	1,310	1,310	1,052	1,052
Settlement accounts	5,889	5,889	19,549	19,549
Total creditors, accruals and settlement accounts	**13,194**	**12,982**	**26,329**	**25,883**

18. Taxation liabilities

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Current income tax liability	810	809	698	695
GST	-	-	25	20
Other tax liabilities	2,020	2,020	357	357
Total taxation liabilities	**2,830**	**2,829**	**1,080**	**1,072**

CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance, previous year	698	695	834	834
Less: Paid	(1,375)	(1,372)	(792)	(792)
Over (under) statement in prior year	**(677)**	**(677)**	**42**	**42**

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Liability for income tax in current year	12,827	12,826	12,524	12,521
Less: Installments paid in current year	(12,017)	(12,017)	(11,826)	(11,826)
Current income tax liability	**810**	**809**	**698**	**695**

19. Provisions

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Employee entitlements	23,133	22,992	20,160	20,029
Lease make good of premises	498	498	295	295
Provision for broker trail commission	18,827	18,827	18,699	18,699
Director development	206	206	214	214
Total provisions	**42,664**	**42,523**	**39,368**	**39,237**

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISION:				
Opening balance	20,160	20,029	17,055	16,943
Less: Paid	(8,640)	(8,590)	(5,686)	(5,624)
Liability increase (decrease)	11,613	11,553	8,791	8,710
Closing balance	**23,133**	**22,992**	**20,160**	**20,029**

MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISION:	2020 $'000 Consolidated	2020 $'000 Parent	2019 $'000 Consolidated	2019 $'000 Parent
Opening balance	295	295	229	229
Less: Paid	(49)	(49)	-	-
Liability increase	252	252	66	66
Closing balance	**498**	**498**	**295**	**295**

MOVEMENT IN DIRECTOR DEVELOPMENT PROVISION:	2020 $'000 Consolidated	2020 $'000 Parent	2019 $'000 Consolidated	2019 $'000 Parent
Opening balance	214	214	185	185
Less: Paid	(8)	(8)	(23)	(23)
Liability increase	-	-	52	52
Closing balance	**206**	**206**	**214**	**214**

MOVEMENT IN BROKER TRAIL PROVISION:	2020 $'000 Consolidated	2020 $'000 Parent	2019 $'000 Consolidated	2019 $'000 Parent
Opening balance	18,699	18,699	11,845	11,845
Less: Paid	-	-	-	-
Liability increase	128	128	6,854	6,854
Closing balance	**18,827**	**18,827**	**18,699**	**18,699**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 0.175%-1.720% (2019: 0.955%-1.915%).

The latest annual CPI rate available was used at March 2020: 2.2% (March 2019: 1.3%).

Lease make good: The rates applied to give effect to the discount of cash flows were 0.052%-1.368% (2019: 0.955%-1.035%).

20. Subordinated debt at amortised cost

	2020 $'000 Consolidated	2020 $'000 Parent	2019 $'000 Consolidated	2019 $'000 Parent
Subordinated debt	20,000	20,000	20,000	20,000
Accrued interest	35	35	55	55
Total subordinated debt	**20,035**	**20,035**	**20,055**	**20,055**

Teachers Mutual Bank Limited issued $20 million of subordinated notes on 7 September 2017. The notes have a term of 10 years and mature on 7 September 2027.

21. Capital Reserve

	2020 $'000 Consolidated	2020 $'000 Parent	2019 $'000 Consolidated	2019 $'000 Parent
Opening balance	796	796	746	746
Transfer from retained earnings on share redemptions	39	39	50	50
Total capital reserve	**835**	**835**	**796**	**796**

The Capital Reserve represents the value of redeemable preference shares redeemed since 1 July 1999. This is the value of these shares paid to members and the balance of the account represents the amount of profit appropriated to the account. Share redemptions must be funded from profits.

22. General Reserve for Credit Losses

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	14,546	14,546	13,768	13,768
Increase (decrease) transfer from retained earnings	4,258	4,258	778	778
Total general reserve for credit losses	**18,804**	**18,804**	**14,546**	**14,546**

LGDs and PDs were refreshed using management judgement to take into account the current economic circumstances surrounding COVID-19. Refer Note 8 and Note 1f for further details.

23. Cash flow hedge reserve

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	(1,647)	(1,647)	298	298
Increase (decrease) transfer from retained earnings	919	919	(1,945)	(1,945)
Total cash flow hedge reserve	**(728)**	**(728)**	**(1,647)**	**(1,647)**

Cash flow hedge reserve

The cash flow hedge reserve represents fair value gains and losses on the effective portion of cash flow hedges. Cumulative deferred gains or losses on hedges are recognised as profits or losses when the hedged transactions meet the requirements described in accounting policy Note 1g.

24. Financial risk management objectives and policies

Overview

The Group applies an enterprise risk management framework to development and implement strategies, policies, procedures and controls to manage the Group's risk. The risks that the Group has exposure to include, but are not limited to:

- **Market risk**
  - Interest rates
  - Equity investments
  - Liquidity
- **Credit risk**
  - Lending
  - Investing
- **Operational risk**

Governance

The Board has overall responsibility for the establishment and oversight of the Group's enterprise risk management framework. This responsibility includes approval of the framework, setting risk appetite and strategy, driving appropriate risk culture, monitoring and managing within the stated appetite, aligning policies and processes with the risk appetite and ensuring that sufficient resources are dedicated to risk management. The Board has a governance framework that identifies, manages and reports on risk. This manifests as a three lines of defence risk management and assurance model (3LOD Model) with business units and management as the first line of defence, risk management and compliance functions as the second line of defence, and internal audit, external audit and the Board or its respective committees as the third line of defence.

The Board has an Audit Committee to oversee financial reporting and effectiveness of audits and a Risk and Compliance Committee to oversee the management of risk and the program of compliance. The Committees are required to devote time and expertise to these areas over and above the time prescribed in scheduled Board meetings.

The Audit Committee assists the Board by:

- » providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal controls;
- » overseeing the integrity and quality of the Group's financial reports and statements, including financial information provided to regulators and members;
- » monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management processes;
- » monitoring the effectiveness of the internal audit functions;
- » monitoring the effectiveness of the external audit functions; and
- » reviewing the processes established by Management to ensure adherence to the requirements of legislation and regulation, in particular Prudential Standards, the Corporations Act and the Anti-Money Laundering and Counter-Terrorism Financing Act.

The Risk and Compliance Committee assists the Board by:

- » providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal controls;
- » monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management processes;
- » reviewing the processes established by management to ensure adherence to the requirements of legislation and regulation, in particular Prudential Standards, the Corporations Act and the Anti-Money Laundering and Counter-Terrorism Financing Act; and
- » monitoring compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards.

The Group has an Assets and Liability Committee, comprising Management, to manage the financial risk of the Group. This committee makes policy recommendations to the Board, implements strategy and monitors compliance regarding:

- » market risk in relation to interest rate risk and liquidity risk;
- » credit risk in relation to investment risk;
- » profitability;
- » capital management; and
- » growth.

Market risk

Interest rate risk

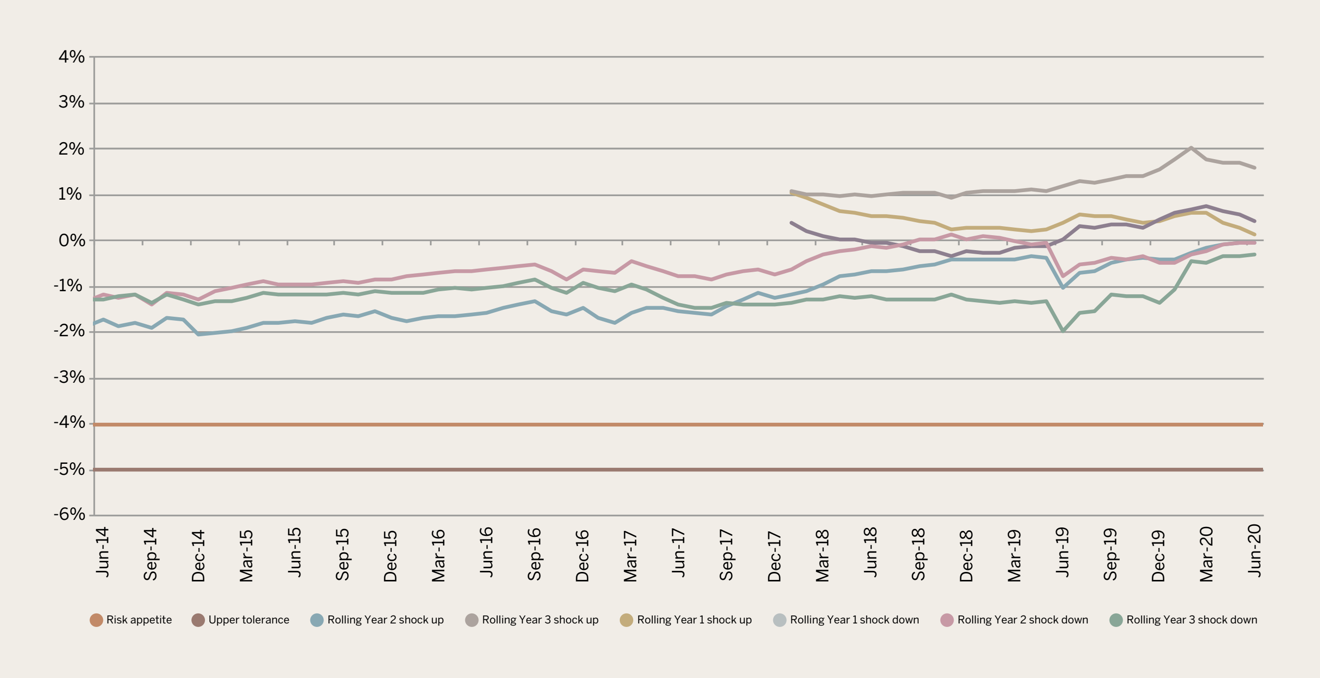
The Group is not exposed to currency and other price risk. The Group does not trade the financial instruments it holds. The Group is exposed to interest rate risk in the banking book arising from changes in market interest rates.

The Group's policy objective is to maintain a balanced 'on book' hedging strategy by ensuring that product repricing gaps between assets and liabilities are not excessive. As member demand and competition across the product set may not always allow the achievement of a balanced 'on book' position, the Board has approved a derivative policy to ensure appropriate use of interest rate swaps. The Group uses a number of techniques to measure and monitor interest rate risk, which include:

- **Primary:**
  - » short-, medium- and long-term forecasts that are regularly updated;
  - » monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes; and
  - » monthly earnings at risk simulations, including projections based on flat rates, yield curve, and upward and downward movements in rates to produce shocks.
- **Secondary:**
  - » monthly gap analysis;
  - » monthly sensitivity analysis;
  - » monthly value at risk analysis; and
  - » mnnual benchmarking against the industry.

Earnings at risk (EaR) as a % of prudential capital

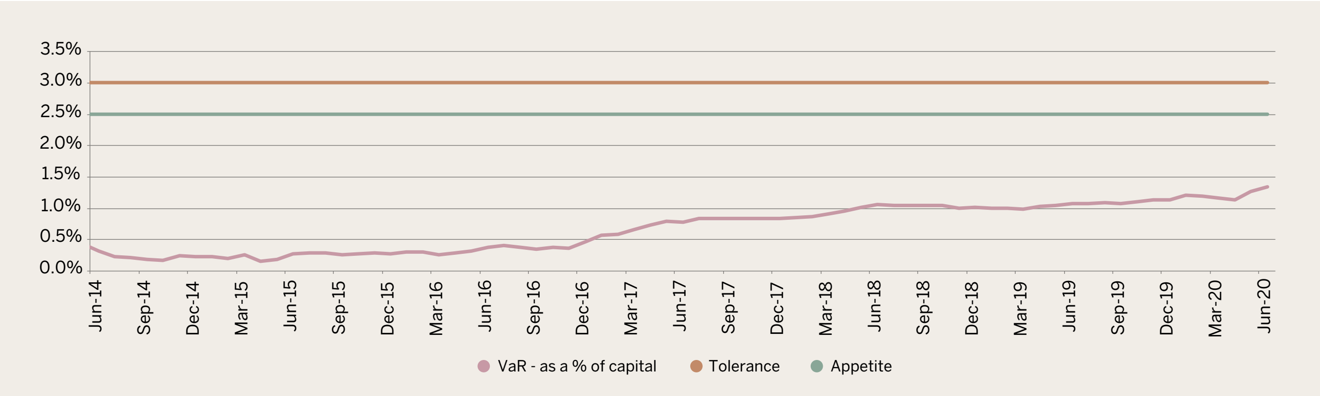
The Bank uses a forecasting model to measure the impact of rate changes on future profitability. A 1% shock up and down to the market yield curve is modelled each month over a rolling 3-year period. A 0.00% RBA cash rate floor is applied. The results are shown in the graph below.



1% shock (subject to floor) to the market yield curve with corresponding expected changes to product rates.

Value at risk (VaR) as a % of capital

VaR measures the risk of changes in value of financial assets and liabilities associated with changes in market rates for a given time period of 250 working days, and with a given confidence level of 99%. This measure represents the maximum change as a % of capital of the Bank.



The above table represents a 99% confidence interval, 20-day holding period, and 250-day observation period. Note: A change in methodology was approved effective from April 2015 for sensitivity reporting to treat only rate-locked loans approved not advanced (LANA) as an exposure whereas previously all LANA was treated as an exposure. This change affects VaR and sensitivity measures.

The Group combines cash flows into buckets based on the expected repricing periods. Consideration is given to both operational and competitive constraints which may differ from the contractual dates, as this better reflects the risk in the portfolio.

The level of mismatch on the banking book is set out in Note 26. Note 28 displays the period that each asset and liability will reprice as at the balance date.

Market risk – equity investments

The Group invests in entities established to provide services such as transactions processing and settlement, and travel services where specialisation demands that quality staff and systems are secured from a single entity. Details of these investments are set out in Note 9.

Liquidity risk

Liquidity risk is the risk that a financial institution is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or has insufficient capacity to fund increases in assets. Board policies require the maintenance of adequate cash reserves and committed credit facilities to meet the member withdrawal demands and other creditor commitments when requested, as well as appropriate forecasting and stress testing procedures.

The Group manages liquidity risk by:

- continuously monitoring actual intraday, daily cash flows and longer-term forecasted cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities;
- monitoring the prudential liquidity ratio daily;
- holding repo-eligible securities that may be used as collateral when borrowing from the RBA; and
- maintaining a securitisation trust to hold mortgage rights that may be provided as collateral should the Group borrow from the RBA.

The Group has set out the maturity profile of the financial liabilities in Note 26, based on the contractual repayment terms.

The Parent is subject to the minimum liquidity holdings approach under Prudential Standard APS 210 and as such is not required to adopt the liquidity coverage ratio or net stable funding ratio measures. The Parent is required to maintain a minimum 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Parent's risk appetite is to maintain at least 11% of funds as liquid assets to maintain adequate funds to meet member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and the Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits whether from ADIs, retail and wholesale depositors, or available borrowing facilities. Note 31 describes the borrowing facilities available as at the balance date. The Parent also maintains a self-securitisation capability. Note 35 details the balance of loans securitised to create repo-eligible securities.

Total adjusted liabilities for the purpose of liquidity measurement is defined as total on-statement of financial position liabilities and irrevocable commitments.

	2020	2019
As at 30 June	18.64%	17.96%
Average for the year	17.98%	15.62%
Minimum during the year	15.94%	13.59%
Total adjusted liabilities	**8,174,609,092**	**7,982,605,426**

Credit risk

The credit risk of a financial institution is the risk that customers, members, financial institutions or other counterparties will be unable to meet their obligations to the institution, resulting in financial loss. Credit risk arises principally from the Group's loan and investment assets that are managed using the Board-approved credit risk management framework.

Credit risk – lending

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus undrawn facilities consisting of loans approved not advanced, redraw facilities, overdraft facilities and credit card limits. The details are shown in Note 29.

The risk of losses on loans is primarily reduced through the nature and quality of security taken. Note 7b describes the nature of the security held against the loans as at the balance date.

All loans and facilities are within Australia. Geographic distribution is detailed in Note 7c.

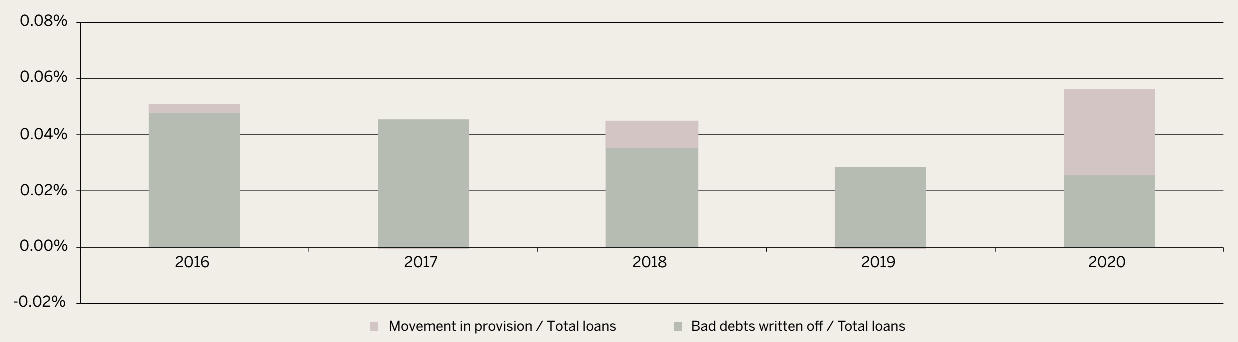
Concentrations are described in Note 7c. The Group has a concentration in personal lending to members who are predominantly employees in the Australian education, emergency services or health sectors and their families. This concentration is considered acceptable on the basis that the Group's focus is to service these members, the sectors are essential and stable sectors and employment concentration is not restricted to one employer. Should members leave the sector, the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

Credit risk is managed through a structured framework of systems and controls including:

- documented credit risk – lending principles that are disseminated to all staff involved in the lending process;
- documented policies;
- documented processes for approving and managing lending based on delegations; and
- a series of management reports detailing industry, geographic and LVR concentrations, along with monitoring non-performing credit facilities.

Documented policies have been endorsed by the Board to endeavour to ensure that credit facilities are only provided to members who are capable of meeting their contractual obligations.

Impairment expense/total loans and bad debts written off/total loans



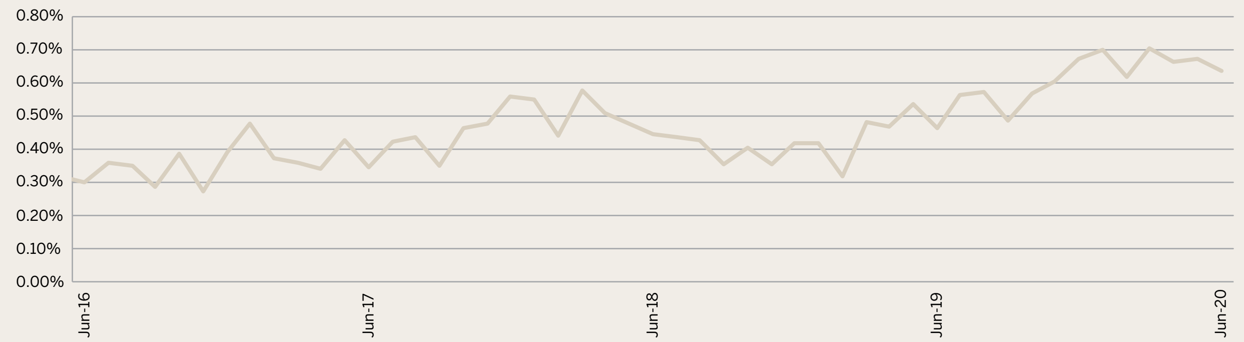
*Total provision from 2019 onwards is accounted for under AASB 9.

Collateral securing loans

A sizeable portion of the loan book is secured against residential property in Australia. The Group, should the counterparty default, is therefore exposed to the risk of an increase of the LVR, should residential property valuations be subject to a decline.

Performance of the mortgage-secured portfolio is managed and monitored against the proportion of loan balances 30+ days in arrears.

Percentage of mortgage portfolio in arrears



Credit risk – investing

The Group maintains a treasury credit risk policy to limit risk associated with the investment of funds. This policy requires that all high quality liquid investments eligible for inclusion in the regulatory liquidity calculation meet APRA's investment grade rating criteria. Limits are applied across individual country, individual counter party, credit grading class and tenor dimensions. Any individual counterparty credit exposure must not exceed 50% of capital. Internal analysis must be conducted before the Asset and Liability Committee approves individual credit limits.

The exposure values associated with each credit quality step are as follows*:

2020				
Investments with:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs rated A-1+ to A-1 (short-term)	7	414,434,821	-	-
ADIs rated A-2 or P-2 (short-term)	13	254,345,052	-	-
ADIs rated A-3 or P-3 (short-term)	1	6,965,970	-	-
ADIs rated AAA (long-term)	3	76,605,191	-	-
ADIs rated AA+ to AA- (long-term)	4	338,125,749	-	-
ADIs rated A+ to A- (long-term)	4	179,565,887	-	-
ADIs rated BBB+ to BBB or Baa1 (long-term)	8	170,252,935	-	-
Total		**1,440,295,605**	**-**	**-**

2019

Investments with:	No. of institutions	Carrying value	Past due value	Provision
ADIs rated A-1+ to A-1 (short-term)	8	382,492,920	-	-
ADIs rated A-2 or P-2 (short-term)	15	464,962,843	-	-
ADIs rated A-3 or P-3 (short-term)	3	38,735,560	-	-
ADIs rated AA+ to AA- (long-term)	3	235,550,773	-	-
ADIs rated A+ to A- (long-term)	5	226,161,032	-	-
ADIs rated BBB+ to BBB or Baa1 (long-term)	7	124,469,394	-	-
Total		**1,472,372,522**	**-**	**-**

*Table indicates Standard and Poor's (Australia) Pty Ltd equivalent rating as determined by APRA's credit rating grade tables. Exposures may be rated by Standard and Poor's (Australia) Pty Ltd, Moody's Investors Service Incorporated or Fitch Ratings Ltd.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risk in the Group relates mainly to legal compliance, business continuity, data infrastructure and security, outsourced services failures, fraud and employee errors.

The Group's objective is to manage operational risk so as to balance the avoidance of financial loss through the application of controls whilst avoiding procedures that inhibit innovation and creativity. These controls are managed through the application of policies, processes and systems to minimise the likelihood and impact of risk events. Some of these controls are:

- segregation of duties;
- documentation of policies and procedures, employee job descriptions and responsibilities, including a whistleblowing policy;
- effective dispute resolution procedures;
- effective insurance arrangements; and
- response plans for dealing with loss of functionality of systems, premises or data/systems protection.

Operational risk management

The Group has implemented an Operational Risk Management Framework that includes risk identification, measurement, evaluation, monitoring and reporting processes where the Board and senior management identify key risks in a 'top down' approach and business units identify risks in a 'bottom up' approach. These risks are then ranked by loss effect and likelihood after considering risk controls including insurances, with key risk indicators being assigned and monitored. A loss register compares experience with the original assessments. Projects are also subject to risk analysis at all stages of the project lifecycle and are actively managed.

The Operational Risk Management Framework is underpinned by a culture of individual accountability and responsibility based on the 3LOD Model, that is represented at an operational level through business units and Management as a first line of defence, through designated risk management and compliance functions as a second line of defence, and as a third line of defence through internal audit, external audit and the Board and its respective committees.

Compliance

The Group has a compliance program, requiring regular reviews of policies, procedures and reporting to ensure compliance with legal requirements, the code of ethics and Prudential Standards.

Fraud

The Group has systems, policies and processes in place that are considered to be robust enough to prevent material fraud.

Outsourcing arrangements

The Group maintains arrangements with other organisations to facilitate the supply of services to members and customers. All material outsourcing arrangements are subject to a due diligence review, are approved by the Board and are subject to ongoing monitoring.

Cuscal Limited

Cuscal Limited (Cuscal) is an ADI that supplies settlement, transaction processing, card, interchange and other services to other organisations including banks, credit unions and building societies. In relation to the Group, Cuscal:

i. supplies to the Parent rights to issue Visa cards;

ii. supplies Visa cards;

iii. provides transactional switching and settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY, NPP, Mobile Banking and Visa card transactions and real-time gross settlement system (RTGS) payments; and

iv. provides and operates the mobile banking application and transaction processing service.

Ultradata Australia Pty Limited

Ultradata Australia Pty Limited provides and maintains the share registry and core banking software utilised by the Parent.

Capital management

Capital levels are managed to ensure compliance with prudential requirements. Those requirements encompass a framework of three pillars:

- Pillar 1 – Minimum capital requirements, including a specific capital charge for operational risk;
- Pillar 2 – Enhanced supervision of capital management including the application of an internal capital adequacy assessment process (ICAAP); and
- Pillar 3 – More extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by Prudential Standards. These standards act to deliver capital requirements in respect of credit risk, market risk and operational risk.

Credit risk

Credit risk is measured using the Standardised Approach defined in Prudential Standard APS112. The capital charge attached to each asset is based on weightings prescribed in Prudential Standards as detailed in the table below.

2020 ON-STATEMENT OF FINANCIAL POSITION EXPOSURES	Carrying value	Risk weighting/ Credit risk mitigation	Risk-weighted amount
Cash	1,204,480	0%	-
Deposits in highly-rated ADIs	752,560,570	20%	150,512,114
Deposits in less highly-rated ADIs	611,129,844	50%	305,564,922
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with lenders mortgage insurance)	5,469,760,832	35%	1,914,416,291
Standard loans secured against eligible residential mortgages over 80% LVR	934,930,182	50%-75%	485,025,434
Other standard mortgage loans	28,733,521	100%	28,733,521
Non-standard mortgage loans	16,044,129	35%-100%	10,148,637
Deposits in other entities	76,605,191	20%	15,321,038
Other loans	146,857,774	0%-100%	146,750,596
Other assets	78,842,578	100%	78,842,578
Total	**8,116,669,101**		**3,135,315,131**

2020 NON-MARKET-RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk-weighted amount
Loans approved and not advanced	209,844,588	100%	209,844,588	35%-100%	92,451,854
Redraws available	419,703,786	50%	209,851,893	35%-100%	75,969,340
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	311,059,131	0%	-	-	-
Possible contribution to CUFSS Limited	100,000,000	0%	-	-	-
Total	**1,040,607,605**		**419,696,581**		**168,421,294**

MARKET-RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	Risk-weighted amount
Residual maturity 1 year or less	50,400,000	0.0%	-	-	-	-
Residual maturity > 1 year to 5 years	16,000,000	0.5%	80,000	-	80,000	16,000
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	**66,400,000**		**80,000**	**-**	**80,000**	**16,000**

Total weighted credit risk exposures	**3,303,752,425**

Market risk

The Group is not required to allocate capital against market risk as no trading activity is undertaken and the Standardised Approach does not result in any allocation against interest rate risk in the banking book.

Operational risk

Operational risk is measured using the Standardised Approach defined in Prudential Standard APS114. The capital charge is based upon portfolio balances and revenue streams with scaling and risk factors applied to reflect APRA's assessment of the particular risk profiles.

OPERATIONAL RISK CAPITAL REQUIREMENT FOR RETAIL BANKING

	31 Dec 17	30 Jun 18	31 Dec 18	30 Jun 19	31 Dec 19	30 Jun 20
Total gross outstanding loans and advances for retail banking	5,580,317,615	5,993,575,816	6,454,352,881	6,475,311,996	6,466,758,492	6,598,367,072
- multiplied by 3.5% scaling factor	195,311,117	209,775,154	225,902,351	226,635,920	226,336,547	230,942,848
- multiplied by 12% risk factor	23,437,334	25,173,018	27,108,282	27,196,310	27,160,386	27,713,142
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**26,298,079**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	1,218,730,671	964,941,406	1,193,181,406	1,433,281,868	1,438,303,213	1,402,473,285
- multiplied by 3.5% scaling factor	42,655,574	33,772,949	41,761,349	50,164,865	50,340,612	49,086,565
- multiplied by 15% risk factor	6,398,336	5,065,942	6,264,202	7,524,730	7,551,092	7,362,985
Average of the 6 half-year results = Total operational risk capital requirement for commercial banking						**6,694,548**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR ALL OTHER ACTIVITY

Adjusted gross income	2,997,841	4,559,025	3,738,151	3,381,640	2,563,695	8,460,113
- multiplied by 18% risk factor	539,611	820,625	672,867	608,695	461,465	1,522,820

OPERATIONAL RISK CAPITAL REQUIREMENT FOR OTHER ACTIVITIES

Average of the 3 annual results = Total operational risk capital requirement for all other activity	**1,542,028**
Total operational risk capital requirement	**34,534,655**
Risk weighted asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**431,683,182**
Total credit and operational risk weighted	**3,735,435,607**

Capital resources

- **Tier 1 capital**
  - » The majority of Tier 1 capital consists of common equity Tier 1 capital, which is our retained earnings.
- **Tier 2 capital**
  - » Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by the Prudential Standards. Tier 2 capital generally comprises a reserve for Credit Losses and subordinated debt.

A minimum capital ratio of 8% is required to be maintained at all times. Our policy requires reporting to the Board if the capital ratio falls below 14%.

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The Group manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. Further, a 3-year capital projection is maintained to assess how strategic decisions or trends may impact on the level of capital. A stress test based on various asset growth, changes to the environment and profitability assumptions is conducted at least annually.

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CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	2020	2019
Tier 1 Common equity	546,118,561	523,027,985
Less: Prescribed deductions	(18,739,249)	(18,734,529)
Tier 1 capital	**527,379,312**	**504,293,456**
Tier 2 Reserve for credit losses	24,229,171	14,546,213
Tier 2 Subordinated debt	20,000,000	20,000,000
Total Tier 2 capital	**44,229,171**	**34,546,213**
Total capital	**571,608,483**	**538,839,669**

THE CAPITAL RATIO AS AT THE END OF THE FINANCIAL YEAR OVER THE PAST 5 YEARS IS AS FOLLOWS:

2020	2019	2018	2017	2016
15.30%	14.81%	15.65%	15.09%	15.85%

Pillar 2 – Risk Capital

Pillar 2 of the Prudential Framework relates to any risk factor to which an ADI might be exposed that is not included in Pillar 1.

These risks fall into 3 categories:

- Pillar 1 risk not fully captured by the Pillar 1 process, for example credit concentration risk;
- Inherent risk not covered by Pillar 1, including:
  - interest rate risk in the banking book;
  - liquidity risk; and
  - strategic risk;
- Risk arising from external factors such as business cycle effects and the macroeconomic environment.

The Group documents, analyses and sets its own internal capital requirements to meet Pillar 2 risks. The methodologies used to assess the required capital are a combination of quantitative and qualitative assessments and by their nature are based on a degree of collective subjective judgement by senior management and the Board.

Examples of Pillar 2 Risk Factors

The following risk examples were assessed as being of sufficient significance to require additional capital support over and above the Pillar 1 capital requirement:

- Strategic risk
  - Business environment, including opportunities
- Credit risk
  - Counterparty default risk
- Operational risk
  - Internal or external fraud
  - Clients, products and business practices
  - Business disruption
- Market risk
  - Liquidity – Lack of diversification of funding sources
  - Interest rate risk in the banking book

An additional 2% to 3% capital was determined to be adequate to cover these risks if they were all to happen simultaneously or each was to occur over a three-year period.

Internal capital adequacy management

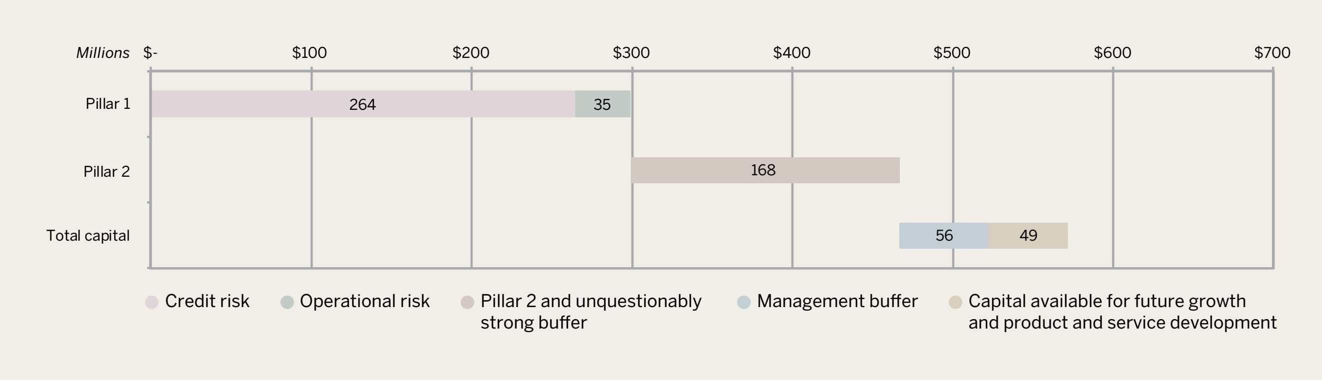
The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Group's forecasts for asset growth or unforeseen circumstances are assessed by the Board. The capital resource model is then produced for further Board consideration. Management then updates the forecast capital resources models produced and the impact upon the overall capital position of the Group is reassessed.

Contingency buffer for business cycle volatility

Based on historical fluctuations in capital, the Group incorporates a contingency buffer of 4% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risk identified above.

			2020
	RWA	Minimum capital required	% Equivalent of RWA
Credit risk	3,303,752,425	264,300,194	8.00%
Operational risk	431,683,181	34,534,655	8.00%
Total	**3,735,435,606**	**298,834,849**	**8.00%**
Pillar 2 risk factors			2.00% to 3.00%
ICAAP capital required			14.00%
Capital available for future growth and product and service development			4.00% to 5.00%
Risk-based capital ratio		**571,608,483**	**15.30%**
Common equity Tier 1 capital ratio		**527,379,312**	**14.12%**
Tier 1 capital ratio		**527,379,312**	**14.12%**
Tier 2 capital ratio		**44,229,171**	**1.18%**

Categorisation of capital



25. Categories of financial instruments

a. The following information classifies the financial instruments into measurement classes

	Note(s)	2020 $'000		2019 $'000	
FINANCIAL ASSETS – CARRIED AT AMORTISED COST		Consolidated	Parent	Consolidated	Parent
Cash on hand and deposits at call		88,156	88,155	221,719	221,719
Receivables from financial institutions	4	1,353,345	1,353,345	1,251,759	1,251,759
Receivables	6	13,690	13,551	8,770	8,408
Loans and advances to members	7 & 8	6,620,270	6,620,270	6,499,730	6,499,730
Total carried at amortised cost		**8,075,461**	**8,075,321**	**7,981,978**	**7,981,616**
Shares in unlisted companies – at fair value through other comprehensive income	9	5,146	5,145	5,145	5,145
Investments in controlled entities – carried at fair value	10	-	147	-	147
Cash flow hedge derivative assets – carried at fair value	5	564	564	552	552
Total financial assets		**8,081,171**	**8,081,177**	**7,987,675**	**7,987,460**
FINANCIAL LIABILITIES – CARRIED AT AMORTISED COST					
Borrowings		-	-	-	-
Wholesale sector funding	15	617,508	617,508	834,672	834,672
Subordinated debt	20	20,035	20,035	20,055	20,055
Retail deposits	16	6,862,679	6,863,284	6,569,028	6,570,030
Creditors, accruals and settlement accounts	17	13,194	12,982	26,329	25,883
Total carried at amortised cost		**7,513,416**	**7,513,809**	**7,450,084**	**7,450,640**
Cash flow hedge derivative liabilities – carried at fair value	5	1,674	1,674	2,250	2,250
Total financial liabilities		**7,515,090**	**7,515,483**	**7,452,334**	**7,452,890**

b. Assets measured at fair value

CONSOLIDATED	2020 $'000	Level 1	Level 2	Level 3
Shares in unlisted companies	5,146	-	-	5,146
Cash flow hedge derivatives	564	-	564	-
Total	**5,710**	**-**	**564**	**5,146**

PARENT	2020 $'000	Level 1	Level 2	Level 3
Shares in unlisted companies	5,145	-	-	5,145
Investments in controlled entities	147	-	-	147
Cash flow hedge derivatives	564	-	564	-
Total	**5,856**	**-**	**564**	**5,292**

CONSOLIDATED	2019 $'000	Level 1	Level 2	Level 3
Shares in unlisted companies	5,145	-	-	5,145
Cash flow hedge derivatives	552	-	552	-
Total	**5,697**	**-**	**552**	**5,145**

PARENT	2019 $'000	Level 1	Level 2	Level 3
Shares in unlisted companies	5,145	-	-	5,145
Investments in controlled entities	147	-	-	147
Cash flow hedge derivatives	552	-	552	-
Total	**5,844**	**-**	**552**	**5,292**

The fair value hierarchy levels are outlined in Note 1t.

Investments in controlled entities

Due to the lack of publicly available data on the transfer of these shares, the Group has measured the shares at cost and classified them as Level 3.

Cash flow hedge derivatives

The fair value of derivative financial instruments (interest rate swaps) are calculated applying discounted cash flow models using interest rates derived from market interest rates that match the remaining term of the swaps. Thus the basis for determining the fair value of derivative financial instruments is classified as Level 2.

26. Maturity profile of financial assets and liabilities

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

CONSOLIDATED 2020 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	36,123	-	-	52,033	-	-	88,156	88,156
Receivables from financial institutions	144,496	247,248	387,983	573,618	-	-	1,353,345	1,353,345
Receivables	12,104	605	2,878	39,468	-	-	55,055	13,690
Loans and advances to members	44,977	89,348	396,541	1,678,940	7,623,154	-	9,832,960	6,620,270
Shares in unlisted companies	-	-	-	-	-	5,146	5,146	5,146
Cash flow hedge derivative asset	564	-	-	-	-	-	564	564
Total financial assets	**238,264**	**337,201**	**787,402**	**2,344,059**	**7,623,154**	**5,146**	**11,335,226**	**8,081,171**

CONSOLIDATED 2020 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	101,155	153,156	62,739	306,691	-	-	623,741	617,508
Subordinated debt	-	-	-	-	24,206	-	24,206	20,035
Retail deposits	2,791,408	1,025,268	1,919,018	1,151,429	-	2,419	6,889,542	6,862,679
Creditors, accruals and settlement accounts	13,194	-	-	-	-	-	13,194	13,194
Cash flow hedge derivatives liabilities	997	188	417	72	-	-	1,674	1,674
Total financial liabilities	**2,906,754**	**1,178,612**	**1,982,174**	**1,458,192**	**24,206**	**2,419**	**7,552,357**	**7,515,090**

PARENT

2020 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	36,122	-	-	52,033	-	-	88,155	88,155
Receivables from financial institutions	144,496	247,248	387,983	573,618	-	-	1,353,345	1,353,345
Receivables	11,965	605	2,878	39,468	-	-	54,916	13,551
Loans and advances to members	44,977	89,348	396,541	1,678,940	7,623,154	-	9,832,960	6,620,270
Shares in unlisted companies	-	-	-	-	-	5,145	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	564	-	-	-	-	-	564	564
Total financial assets	**238,124**	**337,201**	**787,402**	**2,344,059**	**7,623,154**	**5,292**	**11,335,232**	**8,081,177**

2020 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	101,155	153,156	62,739	306,691	-	-	623,741	617,508
Subordinated debt	-	-	-	-	24,206	-	24,206	20,035
Retail deposits	2,792,013	1,025,268	1,919,018	1,151,429	-	2,419	6,890,147	6,863,284
Creditors, accruals and settlement accounts	12,982	-	-	-	-	-	12,982	12,982
Cash flow hedge derivative liabilities	997	188	417	72	-	-	1,674	1,674
Total financial liabilities	**2,907,147**	**1,178,612**	**1,982,174**	**1,458,192**	**24,206**	**2,419**	**7,552,750**	**7,515,483**

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2019 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	169,686	-	-	52,033	-	-	221,719	221,719
Receivables from financial institutions	168,136	260,503	463,020	360,100	-	-	1,251,759	1,251,759
Receivables	5,668	1,474	5,818	29,007	-	-	41,967	8,770
Loans and advances to members	48,328	96,041	426,211	1,736,304	8,082,889	-	10,389,773	6,499,730
Shares in unlisted companies	-	-	-	-	-	5,145	5,145	5,145
Cash flow hedge derivative asset	625	163	635	1,180	-	-	2,603	552
Total financial assets	**392,443**	**358,181**	**895,684**	**2,178,624**	**8,082,889**	**5,145**	**11,912,966**	**7,987,675**

2019 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	152,606	142,700	323,450	234,542	-	-	853,298	834,672
Subordinated debt	-	-	-	-	26,885	-	26,885	20,055
Retail deposits	2,514,877	1,028,537	2,058,138	1,013,356	-	2,352	6,617,260	6,569,028
Creditors, accruals and settlement accounts	26,329	-	-	-	-	-	26,329	26,329
Cash flow hedge derivatives liabilities	2,297	311	857	708	-	-	4,173	2,250
Total financial liabilities	**2,696,109**	**1,171,548**	**2,382,445**	**1,248,606**	**26,885**	**2,352**	**7,527,945**	**7,452,334**

PARENT

2019 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	169,686	-	-	52,033	-	-	221,719	221,719
Receivables from financial institutions	168,136	260,503	463,020	360,100	-	-	1,251,759	1,251,759
Receivables	5,306	1,474	5,818	29,007	-	-	41,605	8,408
Loans and advances to members	48,328	96,041	426,211	1,736,304	8,082,889	-	10,389,773	6,499,730
Shares in unlisted companies	-	-	-	-	-	5,145	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	625	163	635	1,180	-	-	2,603	552
Total financial assets	**392,081**	**358,181**	**895,684**	**2,178,624**	**8,082,889**	**5,292**	**11,912,751**	**7,987,460**

2019 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	152,606	142,700	323,450	234,542	-	-	853,298	834,672
Subordinated debt	-	-	-	-	26,885	-	26,885	20,055
Retail deposits	2,515,879	1,028,537	2,058,138	1,013,356	-	2,352	6,618,262	6,570,030
Creditors, accruals and settlement accounts	25,883	-	-	-	-	-	25,883	25,883
Cash flow hedge derivatives liabilities	2,297	311	857	708	-	-	4,173	2,250
Total financial liabilities	**2,696,665**	**1,171,548**	**2,382,445**	**1,248,606**	**26,885**	**2,352**	**7,528,501**	**7,452,890**

27. Current and non-current maturity profile of financial assets and liabilities

This table provides a summary of the current and non-current maturity profile of the Group's financial assets and liabilities. Contractual arrangements are the best representation of minimum repayment amounts on loans, liquid investments and on the member deposits within 12 months. Liquid investments and member deposits are presented on a contractual basis, however it is expected that a large proportion of these balances will roll over. Loan repayments are generally accelerated with members choosing to repay loans earlier. These advance repayments are at the discretion of the members and are not able to be reliably estimated.

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2020 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	36,123	52,033	88,156
Receivables from financial institutions	779,727	573,618	1,353,345
Receivables	13,690	-	13,690
Loans and advances to members	298,408	6,299,055	6,597,463
Shares in unlisted companies	-	5,146	5,146
Cash flow hedge derivative asset	564	-	564
Total financial assets	**1,128,512**	**6,929,852**	**8,058,364**

2020 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	316,509	300,999	617,508
Subordinated debt	-	20,035	20,035
Retail deposits	5,718,203	1,144,476	6,862,679
Creditors, accruals and settlement accounts	13,194	-	13,194
Cash flow hedge derivative liabilities	1,674	-	1,674
Total financial liabilities	**6,049,580**	**1,465,510**	**7,515,090**

PARENT

2020 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	36,122	52,033	88,155
Receivables from financial institutions	779,727	573,618	1,353,345
Receivables	13,551	-	13,551
Loans and advances to members	298,408	6,299,055	6,597,463
Shares in unlisted companies	-	5,145	5,145
Investments in controlled entities	-	147	147
Cash flow hedge derivatives asset	564	-	564
Total financial assets	**1,128,372**	**6,929,998**	**8,058,370**

2020 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	316,509	300,999	617,508
Subordinated debt	-	20,035	20,035
Retail deposits	5,718,808	1,144,476	6,863,284
Creditors, accruals and settlement accounts	12,982	-	12,982
Cash flow hedge derivatives liabilities	1,674	-	1,674
Total financial liabilities	**6,049,973**	**1,465,510**	**7,515,483**

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2019 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	169,686	52,033	221,719
Receivables from financial institutions	891,659	360,100	1,251,759
Receivables	8,770	-	8,770
Loans and advances to members	293,580	6,181,033	6,474,613
Shares in unlisted companies	-	5,145	5,145
Cash flow hedge derivative asset	552	-	552
Total financial assets	**1,364,247**	**6,598,311**	**7,962,558**

2019 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	613,369	221,303	834,672
Subordinated debt	-	20,055	20,055
Retail deposits	5,570,171	998,857	6,569,028
Creditors, accruals and settlement accounts	26,329	-	26,329
Cash flow hedge derivative liabilities	2,250	-	2,250
Total financial liabilities	**6,212,119**	**1,240,215**	**7,452,334**

PARENT

2019 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	169,686	52,033	221,719
Receivables from financial institutions	891,659	360,100	1,251,759
Receivables	8,408	-	8,408
Loans and advances to members	293,580	6,181,033	6,474,613
Shares in unlisted companies	-	5,145	5,145
Investments in controlled entities	-	147	147
Cash flow hedge derivatives asset	552	-	552
Total financial assets	**1,363,885**	**6,598,458**	**7,962,343**

2019 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	613,369	221,303	834,672
Subordinated debt	-	20,055	20,055
Retail deposits	5,571,173	998,857	6,570,030
Creditors, accruals and settlement accounts	25,883	-	25,883
Cash flow hedge derivative liabilities	2,250	-	2,250
Total financial liabilities	**6,212,675**	**1,240,215**	**7,452,890**

28. Interest rate change profile of financial assets and liabilities

Financial asset and liability contracts allow interest rates to be amended on maturity (fixed rate loans, term deposits and term investments), at predefined points in time (medium-term notes) or after proper notice is given (loans and savings). The table below reflects the value of funds where interest rates may be altered within prescribed time bands, being the earlier of the contractual repricing date or the maturity date.

CONSOLIDATED 2020 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	34,919	52,033	-	-	-	1,204	88,156
Receivables from financial institutions	583,545	749,857	19,943	-	-	-	1,353,345
Receivables	-	-	-	-	-	13,690	13,690
Loans and advances to members	2,533,919	251,208	1,263,184	2,549,071	-	81	6,597,463
Shares in unlisted companies	-	-	-	-	-	5,146	5,146
Cash flow hedge derivatives asset	564	-	-	-	-	-	564
Total financial assets	**3,152,947**	**1,053,098**	**1,283,127**	**2,549,071**	**-**	**20,121**	**8,058,364**

2020 Liabilities $'000							
Borrowings	-	-	-	-	-	-	-
Wholesale sector funding	101,113	153,005	62,391	300,999	-	-	617,508
Subordinated debt	-	-	-	-	20,035	-	20,035
Retail deposits	2,791,179	1,023,165	1,903,859	1,142,057	-	2,419	6,862,679
Creditors, accruals and settlement accounts	-	-	-	-	-	13,194	13,194
Cash flow hedge derivative liabilities	1,674	-	-	-	-	-	1,674
On-statement of financial position	2,893,966	1,176,170	1,966,250	1,443,056	20,035	15,613	7,515,090
Undrawn loan commitments (see Notes 30a, 30b, 30c)	940,608	-	-	-	-	-	940,608
Total financial liabilities	**3,834,574**	**1,176,170**	**1,966,250**	**1,443,056**	**20,035**	**15,613**	**8,455,698**

PARENT 2020 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	34,918	52,033	-	-	-	1,204	88,155
Receivables from financial institutions	583,545	749,857	19,943	-	-	-	1,353,345
Receivables	-	-	-	-	-	13,551	13,551
Loans and advances to members	2,533,919	251,208	1,263,184	2,549,071	-	81	6,597,463
Shares in unlisted companies	-	-	-	-	-	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147
Cash flow hedge derivative asset	564	-	-	-	-	-	564
Total financial assets	**3,152,946**	**1,053,098**	**1,283,127**	**2,549,071**	**-**	**20,128**	**8,058,370**

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2020 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
Borrowings	-	-	-	-	-	-	-
Wholesale sector funding	101,113	153,005	62,391	300,999	-	-	617,508
Subordinated debt	-	-	-	-	20,035	-	20,035
Retail deposits	2,791,784	1,023,165	1,903,859	1,142,057	-	2,419	6,863,284
Creditors, accruals and settlement accounts	-	-	-	-	-	12,982	12,982
Cash flow hedge derivative liabilities	1,674	-	-	-	-	-	1,674
On-statement of financial position	2,894,571	1,176,170	1,966,250	1,443,056	20,035	15,401	7,515,483
Undrawn loan commitments (see Notes 30a, 30b, 30c)	940,608	-	-	-	-	-	940,608
Total financial liabilities	**3,835,179**	**1,176,170**	**1,966,250**	**1,443,056**	**20,035**	**15,401**	**8,456,091**

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2019 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	168,581	52,033	-	-	-	1,105	221,719
Receivables from financial institutions	453,174	560,698	237,887	-	-	-	1,251,759
Receivables	-	-	-	-	-	8,770	8,770
Loans and advances to members	2,829,456	221,560	1,104,481	2,318,923	-	193	6,474,613
Shares in unlisted companies	-	-	-	-	-	5,145	5,145
Cash flow hedge derivatives asset	552	-	-	-	-	-	552
Total financial assets	**3,451,763**	**834,291**	**1,342,368**	**2,318,923**	**-**	**15,213**	**7,962,558**

2019 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
Borrowings	-	-	-	-	-	-	-
Wholesale sector funding	152,546	142,243	318,580	221,303	-	-	834,672
Subordinated debt	-	20,055	-	-	-	-	20,055
Retail deposits	2,514,504	1,024,882	2,030,785	996,505	-	2,352	6,569,028
Creditors, accruals and settlement accounts	-	-	-	-	-	26,329	26,329
Cash flow hedge derivative liabilities	2,250	-	-	-	-	-	2,250
On-statement of financial position	2,669,300	1,187,180	2,349,365	1,217,808	-	28,681	7,452,334
Undrawn loan commitments (see Notes 30a, 30b, 30c)	808,908	-	-	-	-	-	808,908
Total financial liabilities	**3,478,208**	**1,187,180**	**2,349,365**	**1,217,808**	**-**	**28,681**	**8,261,242**

PARENT

2019 Assets $'000	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Cash on hand and deposits at call	168,581	52,033	-	-	-	1,105	221,719
Receivables from financial institutions	453,174	560,698	237,887	-	-	-	1,251,759
Receivables	-	-	-	-	-	8,408	8,408
Loans and advances to members	2,829,456	221,560	1,104,481	2,318,923	-	193	6,474,613
Shares in unlisted companies	-	-	-	-	-	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147
Cash flow hedge derivatives asset	552	-	-	-	-	-	552
Total financial assets	**3,451,763**	**834,291**	**1,342,368**	**2,318,923**	**-**	**14,998**	**7,962,343**

2019 Liabilities $'000	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Borrowings	-	-	-	-	-	-	-
Wholesale sector funding	152,546	142,243	318,580	221,303	-	-	834,672
Subordinated debt	-	20,055	-	-	-	-	20,055
Retail deposits	2,515,506	1,024,882	2,030,785	996,505	-	2,352	6,570,030
Creditors, accruals and settlement accounts	-	-	-	-	-	25,883	25,883
Cash flow hedge derivative liabilities	2,250	-	-	-	-	-	2,250
On-statement of financial position	2,670,302	1,187,180	2,349,365	1,217,808	-	28,235	7,452,890
Undrawn loan commitments (see Notes 30a, 30b, 30c)	808,908	-	-	-	-	-	808,908
Total financial liabilities	**3,479,210**	**1,187,180**	**2,349,365**	**1,217,808**	**-**	**28,235**	**8,261,798**

29. Fair value of financial assets and liabilities

Fair value is required to be disclosed where financial instruments are not reported at fair value in the Statement of Financial Position unless the carrying amount is a reasonable approximation of fair value. Fair values reported below are measured using Level 2 or Level 3 unobservable inputs described at Note 1t.

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at the balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets are regularly traded by the Group and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

		CONSOLIDATED			PARENT	
2020 Assets $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	88,156	88,156	-	88,155	88,155	-
Receivables from financial institutions	1,356,660	1,353,345	3,315	1,356,660	1,353,345	3,315
Receivables	13,690	13,690	-	13,551	13,551	-
Loans and advances to members	6,666,858	6,620,270	46,588	6,666,858	6,620,270	46,588
Shares in unlisted companies	5,146	5,146	-	5,145	5,145	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative asset	564	564	-	564	564	-
Total financial assets	**8,131,074**	**8,081,171**	**49,903**	**8,131,080**	**8,081,177**	**49,903**

2020 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	617,549	617,508	41	617,549	617,508	41
Subordinated debt	20,035	20,035	-	20,035	20,035	-
Retail deposits	6,871,726	6,862,679	9,047	6,872,331	6,863,284	9,047
Creditors, accruals and settlement accounts	13,194	13,194	-	12,982	12,982	-
Cash flow hedge derivative liabilities	1,674	1,674	-	1,674	1,674	-
Total financial liabilities	**7,524,178**	**7,515,090**	**9,088**	**7,524,571**	**7,515,483**	**9,088**

		CONSOLIDATED			PARENT	
2019 Assets $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	221,719	221,719	-	221,719	221,719	-
Receivables from financial institutions	1,254,624	1,251,759	2,865	1,254,624	1,251,759	2,865
Receivables	8,770	8,770	-	8,408	8,408	-
Loans and advances to members	6,509,859	6,499,730	10,129	6,509,859	6,499,730	10,129
Available for sale investments	5,145	5,145	-	5,145	5,145	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative asset	552	552	-	552	552	-
Total financial assets	**8,000,669**	**7,987,675**	**12,994**	**8,000,454**	**7,987,460**	**12,994**

	CONSOLIDATED			PARENT		
2019 Liabilities $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Borrowings	-	-	-	-	-	-
Wholesale sector funding	846,368	834,672	11,696	846,368	834,672	11,696
Subordinated debt	20,055	20,055	-	20,055	20,055	-
Retail deposits	6,578,118	6,569,028	9,090	6,579,120	6,570,030	9,090
Creditors, accruals and settlement accounts	26,329	26,329	-	25,883	25,883	-
Cash flow hedge derivative liabilities	2,250	2,250	-	2,250	2,250	-
Total financial liabilities	**7,473,120**	**7,452,334**	**20,786**	**7,473,676**	**7,452,890**	**20,786**

Fair value estimates were determined using the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying value of cash is the amount shown in the statement of financial position. Quoted gross price was used to calculate the fair value of long-term debt securities. Discounted cash flows were used to calculate the fair value of NCDs and term deposits from other financial institutions. The rates applied to give effect to the discount of cash flows were 0.09%-0.64% (2019: 1.21%-1.56%). Independent revaluations were used for fixed income security trading margins.

Loans and advances

The carrying value of loans and advances is net of unearned income and specific provisions for doubtful debts.

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

The rates applied to give effect to the discount of cash flows were 2.19%-13.19% (2019: 3.55%-11.50%).

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

Wholesale sector funding and retail deposits

The fair value of call and variable rate deposits is the amount shown in the statement of financial position. Quoted gross price was used to calculate the fair value of long-term debt securities. Discounted cash flows were used to calculate the fair value of term deposits, based upon the deposit type and the rate applicable to its related period maturity.

- **Wholesale sector funding:** The rates applied to give effect to the discount of cash flows were 0.19%-0.60% (2019: 1.32%-1.98%).
- **Retail deposits:** The rates applied to give effect to the discount of cash flows were 0.18%-1.33% (2019: 1.09%-2.39%).

Short-term borrowings

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

30. Financial commitments

a. Outstanding loan commitments

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Loans approved but not funded	**209,845**	**209,845**	**104,479**	**104,479**

b. Loan redraw facilities

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Loan redraw facilities available	**419,704**	**419,704**	**402,060**	**402,060**

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows:	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Total value of facilities approved	384,544	384,544	396,856	396,856
Less: Amount advanced	(73,485)	(73,485)	(94,487)	(94,487)
Net undrawn value	**311,059**	**311,059**	**302,369**	**302,369**

d. Future capital commitments

The Group has entered into a contract to purchase plant and property for which the amount is to be paid over the following periods:	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	1,399	1,399	1	1
Total	**1,399**	**1,399**	**1**	**1**

e. Computer capital commitments

	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	-	-	-	-
Total	**-**	**-**	**-**	**-**

f. Lease expense commitments for low-value and short-term leases

Operating leases on property occupied by the Group:	2020 $'000		2019 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	15	15	167	167
Later than one year but not five years	-	-	-	-
Total	**15**	**15**	**167**	**167**

31. Standby borrowing facilities

The Group has borrowing facilities as follows:

			2020 $'000
	Gross	**Current borrowings**	**Net available**
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
RBA term funding facility	192,881	-	192,881
Total standby borrowing facilities	**197,881**	**-**	**197,881**
PARENT			
Overdraft facility	5,000	-	5,000
RBA term funding facility	192,881	-	192,881
Total standby borrowing facilities	**197,881**	**-**	**197,881**

			2019 $'000
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**

The Parent has an overdraft facility with Cuscal and maintains a security deposit of $52 million with Cuscal to secure this facility and settlement services. No other form of security is provided by the Parent.

The RBA created a facility available to ADIs to provide support during COVID-19. The Bank will pledge EdSec funding trust securities at the time of drawdown.

Q.T. Travel Pty Ltd has bank overdraft facilities amounting to $30,000 with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 with the Parent (eliminated upon consolidation). This may be drawn upon at any time, and terminated at any time at the option of the financial institution. At 30 June 2020 none of the facilities were used. Interest rates are variable.

32. Contingent liabilities

Liquidity support scheme

The Parent is a member of CUFSS Limited, a company limited by guarantee, established to provide financial support to member Australian mutual ADIs in the event of a liquidity or capital problem. The Parent is committed to maintaining a balance of deposits in an approved form, as determined below.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3.0% of the Parent's total assets, capped at a maximum $100 million. This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC.

33. Disclosures on Directors, other key management personnel and related parties

a. Remuneration of key management personnel (KMP)

KMP have direct or indirect authority and responsibility for planning, directing and controlling the activities of the Group, and include any Director of that entity. Control refers to the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the KMP of the reporting entity or of a parent of the reporting entity.

KMP are deemed to comprise the Directors and the nine members of the executive management of the Parent (2019-2020) who are responsible for the day-to-day financial and operational management of the Group.

The aggregate compensation paid to, payable to or provided for Directors and other KMP during the year was as follows:

	2020 $'000			2019 $'000		
	Directors	Other KMP	Total	Directors	Other KMP	Total
a. Short-term employee benefits	714	4,273	4,987	708	3,432	4,140
b. Post-employment benefits – superannuation contributions	65	281	346	87	267	354
c. Other long-term benefits – net increases in long service leave provision	-	(6)	(6)	-	719	719
d. Termination benefits	-	-	-	-	-	-
e. Share-based payment	-	-	-	-	-	-
Total	**779**	**4,548**	**5,327**	**795**	**4,418**	**5,213**

Remuneration shown as short-term employee benefits comprises wages, salaries and social security contributions, paid annual leave and paid sick leave, value of fringe benefits received, and excludes out-of-pocket expense reimbursements. All remuneration to Directors was approved by members at the previous Annual General Meeting. Post-employment comprises contributions to superannuation, including those made under salary sacrifice arrangements.

b. Loans to directors and other KMP

All loans approved and deposits accepted are on the same terms and conditions applying to members for each class of loan or deposit. There are no loans impaired relating to Directors or other KMP.

No benefits or concessional terms and conditions are applicable to close family members of KMP. There are no loans impaired relating to close family relatives of Directors and other KMP.

	2020 $'000			2019 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	326	-	122	324	-	179
Balance	1,448	-	32	1,449	-	28
Amounts disbursed or facilities increased in the year	-	-	-	-	-	4
Interest and other revenue earned	36	-	5	41	-	6

c. Other transactions between related parties include deposits from Directors and other KMPs:

	2020 $'000	2019 $'000
Total value term and savings deposits from Directors and other KMPs	4,622	6,853
Total interest paid on deposits to Directors and other KMPs	96	118

All transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit.

d. Transactions with related entities

The following table provides the 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.

2020 $'000	Sales to related parties	Purchases from related parties	Other transactions
Tertiary Travel Service Pty Ltd	251	-	-

2019 $'000	Sales to related parties	Purchases from related parties	Other transactions
Tertiary Travel Service Pty Ltd	500	-	-

Other transactions include commission received from the Parent for travel booked through the subsidiary. This note should be read in conjunction with Note 10.

e. Transactions with related parties

Other transactions between related parties include deposits from Director-related entities or close family members of Directors, and other KMP. All transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit. There are no benefits paid or payable to close family members of the Directors and KMP, except for those noted below. There are no service contracts to which Directors and KMP or their close family members are an interested party.

An attendance fee was paid to Graeme Green as chair of the members committee, amounting to $5,735 (2019: $1,272). Graeme Green is the spouse of Linda Green.

34. Segmental reporting

The Group operates predominately in the retail banking and associated services industry within Australia. There are no material identifiable segments to report.

35. Transfers of financial assets

The Group has established arrangements for the transfer of loan contractual benefits of interest and repayments to support ongoing liquidity facilities. These arrangements are as follows:

Securitised loans retained on-statement of financial position

EdSec Funding Trust No.1 has been established as a mechanism to obtain liquid funds from the RBA.

The value of securitised loans that do not qualify for de-recognition are set out below. All loans are variable interest rate loans, with the book value and fair value of the loans being equivalent. No additional loans were assigned to the trust during the year (2019: $709 million).

	2020 $'000	2019 $'000
Total amount of securitised loans under management	908,522	1,162,287

36. Notes to statement of cash flows

a. Reconciliation of cash

	2020 $'000		2019 $'000	
CASH INCLUDES CASH ON HAND AND DEPOSITS AT CALL WITH OTHER FINANCIAL INSTITUTIONS AND COMPRISES	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Cash on hand and deposits at call	88,156	88,155	221,719	221,719

b. Reconciliation of cash from operations to accounting profit

	2020 $'000		2019 $'000	
THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO PROFIT AFTER TAX	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Profit after income tax	25,698	25,997	27,061	27,064
Add (less):				
- Provision for impairment and bad debts written off (net)	1,690	1,690	1,854	1,854
- Depreciation of property, plant and equipment	6,368	6,368	6,437	6,434
- Provision for employee entitlements	2,963	2,963	3,085	3,085
- Other provisions	(476)	(486)	3,966	3,946
- Loss on disposal of plant and equipment (net)	(12)	(12)	(432)	(432)
- Bad debts recovered	(1,068)	(1,068)	(1,115)	(1,115)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	(484)	(484)	(425)	(425)
- Accrued expenses and sundry creditors	1,774	1,774	210	211
- Interest receivable	1,965	1,965	(742)	(743)
- Interest payable	(11,964)	(11,964)	7,591	7,591
- Other income receivable	(1,567)	(1,567)	(113)	(113)
- Unearned income	257	257	(135)	(134)
- Increase in other assets	-	-	-	-
- Increases in loans and advances to members	(120,482)	(120,482)	(489,873)	(489,873)
- Increase in retail deposits	284,404	284,018	752,980	753,091
- Provision for income tax	106	113	(130)	(139)
- Deferred tax assets	(1,593)	(1,505)	(811)	(894)
Net cash flows from operating activities	**187,579**	**187,577**	**309,408**	**309,408**

Cash on hand and deposits at call include restricted access accounts that are limited to our security deposit obligations with Cuscal.

37. Events occurring after balance date

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

38. Corporate information

Teachers Mutual Bank Limited is a company limited by shares, and is registered under the Corporations Act. The address of the registered office and principal place of business is 28-38 Powell Street, Homebush NSW 2140. The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to its members and customers.

Directors' declaration

**TEACHERS MUTUAL
BANK LIMITED**

Declaration of independence

The Directors of Teachers Mutual Bank Limited declare that:

The financial statements comprising the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows and accompanying notes, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations 2001 (Cth); and

(b) give a true and fair view of the financial position of the Group as at 30 June 2020 and performance for the year ended on that date.

The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

In the Board of Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Signed on behalf of the Board of Directors by:

Maree O'Halloran, Chairperson

Signed and dated 31 August 2020

Independent auditor's report

Grant Thornton

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Independent Auditor's Report

To the Members of Teachers Mutual Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Teachers Mutual Bank Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We confirm as at 31 August 2020 we are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

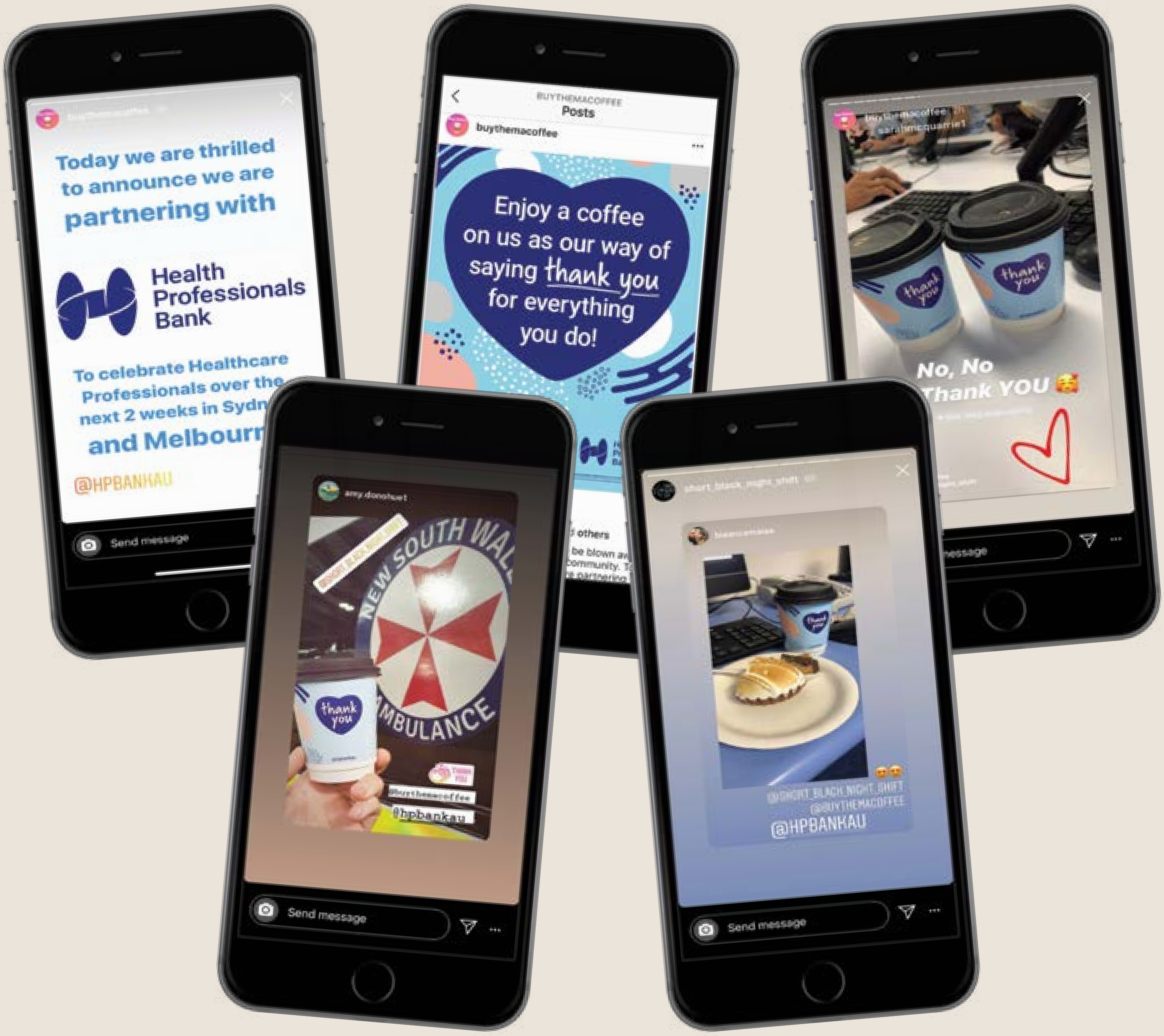
Darren Scammell

Darren Scammell
Partner – Audit & Assurance

Melbourne, 31 August 2020

Buy Them A Coffee

To show gratitude for our health care professionals in the International Year of the Nurse and the Midwife, Health Professionals Bank partnered with Buy Them a Coffee to provide a free, late-night coffee fix to some of the heroes who worked around the clock to look after us. We gave away 2,000 beverages across 15 hospitals in Sydney in Melbourne.



Need more information?

Please visit www.tmbl.com.au/contact

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