2020-2021

Annual Report and Sustainability Update

TEACHERS MUTUAL BANK LIMITED

Teachers Mutual Bank | Health Professionals Bank | Firefighters Mutual Bank | UniBank | Hiver


Michele
Employed by Teachers Mutual Bank Limited and a Member of Teachers Mutual Bank - Member since 1989
Michele's latest crochet project is a bright and warm blanket

Annual Report & Sustainability Update 2020-2021

Our Bank is a force for good, for those who do good. We put our Members at the heart of everything we do.

TEACHERS MUTUAL BANK LIMITED

Phone: 13 12 21 | **Fax:** (02) 9704 8205 | **Email:** enquiry@tmbl.com.au

Address: 28-38 Powell Street Homebush NSW 2140 | PO Box 7501 Silverwater NSW 2128

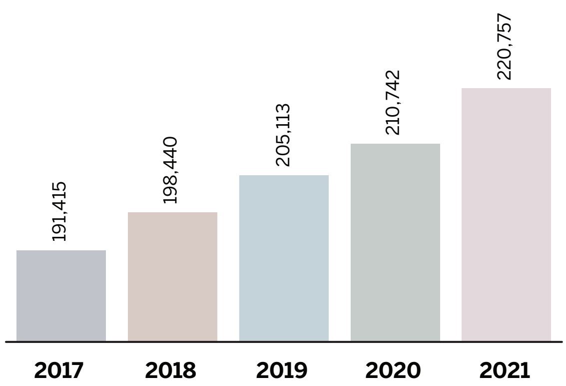
ABN: 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981

Overview of key financial performance

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

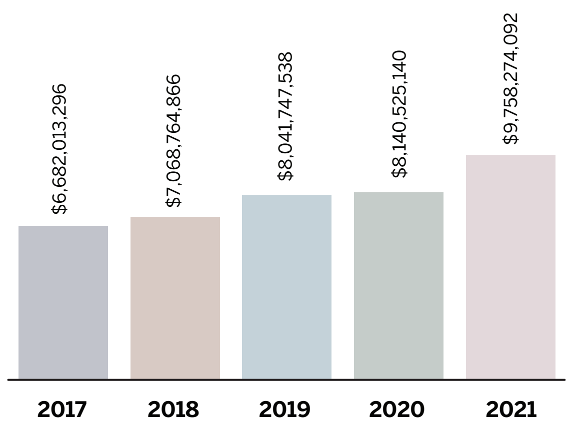
Membership

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



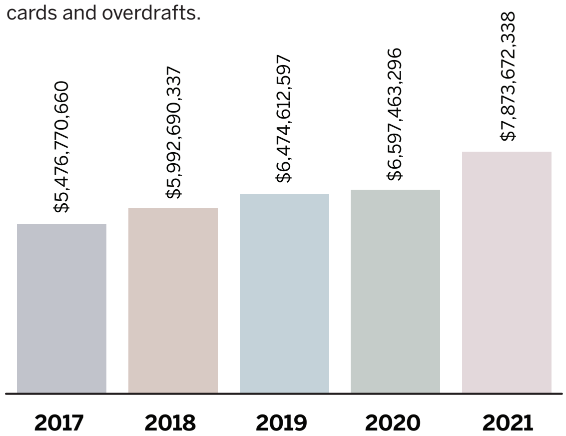
Assets

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



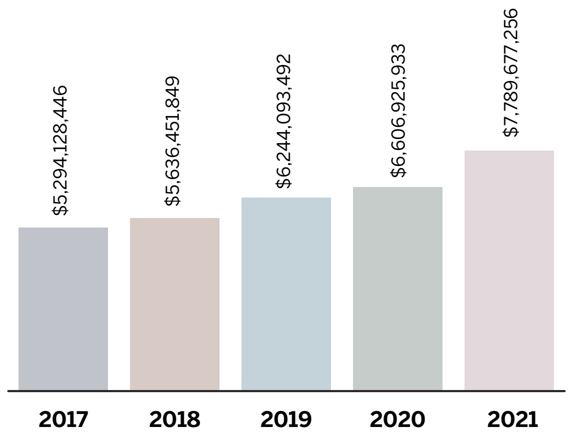
Loan balances

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



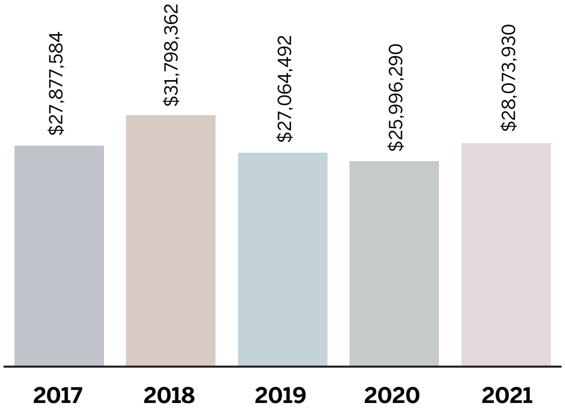
Member deposits

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



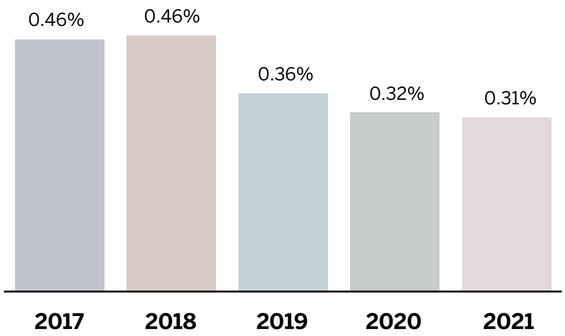
Profit after income tax

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.



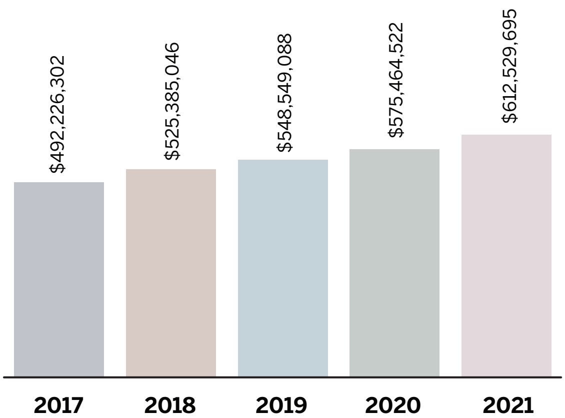
Return on assets

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



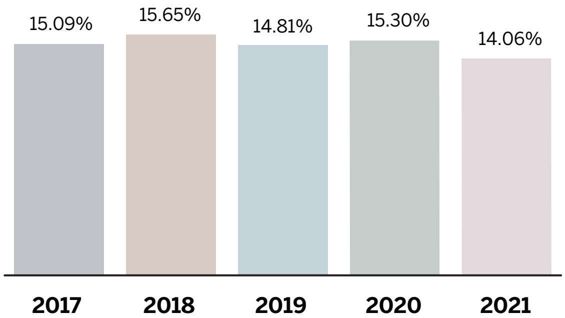
Reserves

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



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%.



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

Banking with purpose

8th year
in a row recognised as One of the World's Most Ethical Companies in 2021

84%
increase in Certified Responsible Investment products to $8.3 billion

1st bank
to sign the Climate League 2030 initiative

One of 45
Australian signatories to the global Tobacco-Free Finance pledge

Our community

$1.5m
in total community investment

6,439
students in rural Cambodia assisted by financial literacy program

98.12%
Member retention rate

89%
Member satisfaction rating

Our people

44%
women on the Board of Directors

9.4 years
average tenure

$20,045
employee giving and donations

84%
of our people recommend the Bank as a place to work

Our society

581
staff completed sustainability training

209,121 kWh
electricity generated by solar PV

9 years net zero
and carbon neutral for our direct greenhouse emissions

98%
of all products sold are Certified Responsible Investments

Chair & CEO's report

In our 55th year of operation and a full year into the COVID-19 pandemic, we have remained financially strong, provided excellent service to our Members and continued to build one of Australia's largest mutual banks.

During the past year there have been significant and unprecedented challenges caused by COVID-19 in Australia. The pandemic has continued to change the landscape of how we live and work. As we work through these challenges, we remain as committed as always to supporting and serving you. We recognise and applaud the leadership and dedication shown by our Members in the education, emergency services and healthcare sectors during the pandemic.

At the end of the 2020-2021 financial year we were proud to be serving over 220,000 Members and maintaining over $9.75 billion in assets.

We are honoured to serve all our Members and their families and we acknowledge the invaluable jobs that you all do. We also take great pride in our purpose – to assist you to build and maintain financial wellbeing, wealth and security throughout your lifetime.

During the ongoing economic volatility and continuing low interest rate environment of the past financial year, our skilled Board of Directors and Management team have focussed on maintaining the strength of the Bank and meeting the needs of our Members. Our financial position remains strong, returning a net profit of $28.1 million. Our asset base grew substantially by 19.9% which was well above the industry average and shows the strong commitment our Members have to their Mutual Bank. We have also maintained a healthy capital adequacy ratio of 14.06%.

As mentioned in our 2019-2020 Annual Report, our Board of Directors and Management team applied for JobKeeper to enable us to retain dedicated staff members and weather the unknown challenges of the pandemic. The Bank received JobKeeper payments from April 2020 to September 2020.

Our thanks must go to our staff who have shown resilience and commitment to providing exceptional Member service throughout the continued challenges. During the past year over 80% of our staff worked from home full time, and in lockdown periods that proportion grew to over 90%. Despite the disruptions, our staff have continued to operate to our high standards.

Our recent staff surveys highlighted our employee satisfaction rating of 80% and a health and wellbeing rating of 90%. Our people continue to demonstrate their loyalty to the Bank through long tenure, with the average length of tenure across the organisation being more than nine years.

The continuing COVID-19 crisis has further prompted our Members to embrace digital banking technology and we are currently in the process of delivering on our digital first strategy. This includes the launch of our leading-edge, digital

We are honoured to serve all our Members and their families and we acknowledge the invaluable jobs that you all do.

bank platform called Hiver. Hiver Bank will allow us to serve more essential worker Members and remain competitive in the digital landscape. It will also provide us with the ability to upgrade the digital capabilities in our industry banks of Firefighters Mutual Bank, Health Professionals Bank, Teachers Mutual Bank and UniBank and grow our membership in those divisions.

During the year we were privileged to complete a merger with Firefighters Credit Co-operative Limited in Victoria. This merger brought another 3,000 emergency services Members into the Teachers Mutual Bank Limited family. We are also planning to merge with Pulse Credit Union Limited in Victoria. This merger will bring a further 6,000 essential worker Members and their families to our Bank. We are planning to complete the Pulse merger by November 2021.

We continue to maintain our status as a world-leading socially responsible bank. At Teachers Mutual Bank Limited, we are a force for good where social responsibility is built-in, not bolted on. A key highlight this year is the growth of our Responsible Investment Association Australasia (RIAA) Certified products, which have grown from $4.5 to $8.3 billion in the 12-month period. Our Members and partners have told us that third party verification and transparency is key when it comes to social responsibility, and the RIAA Certification is one example of how we are delivering on our Members' expectations. This year, we were also the first bank in Australia to sign the Climate League 2030 initiative and commit $20 billion of Certified Responsible Investment products with zero fossil fuel investment by 2030. We have also joined other industry leaders in Australia in supporting asylum seeker initiatives through the Asylum Seekers Centre.

Once again, 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 the pandemic. We look forward to this opportunity to connect with our Members and answer any questions you may have.

While we all look forward to a better future in terms of the pandemic with vaccination rates improving and the Australian economy remaining fairly stable, we are also in a very strong financial position to face any further challenges in the future.

Thank you for your loyalty and for choosing us as your financial services provider.

Maree O'Halloran
Chairperson

Steve James
Chief Executive Officer

We are a force for good where social responsibility is built-in, not bolted on. A key highlight this year is the growth of our RIAA Certified products, which have grown from **$4.5** to **$8.3 billion** in the 12-month period.

We are a world-leading socially responsible bank

Our annual reporting framework has been strengthened and shows how we are delivering on our promise to bank with purpose and be a force for good.

74
targets and KPIs measure our performance beyond the financials. Nine of these are major goals for the Bank.

The purpose of reporting

We've set ourselves ambitious goals and we're making progress. To ensure we remain accountable and transparent, this year we have divided our reporting into three major themes: people, community and society.

One of our main aims is to bolster our governance, policies and operations so that, at its core, the Bank is run for people, planet and profit.

To be effective, socially responsible banking must be central to an organisation's purpose, strategy and leadership. We like to say that it's built in, not bolted on. Socially responsible banking drives our business practices, our people, and our products.

In this report, a total of 74 targets and KPIs measure our performance beyond the financials. Nine of these are major goals for the Bank:

1. Strive for international leadership in socially responsible banking.
2. Benchmark to global standards on reporting, transparency and verification.
3. Map our social responsibility targets to the UN Sustainable Development Goals.
4. Strengthen our governance, policies and operations to ensure that the Bank is run for people, planet and profit.
5. Enforce strict responsible investment criteria to our total balance sheet, including lending and investment policies.
6. Set socially responsible products as the standard for our Members and investors.
7. Ensure our values of Advocacy, Sustainability and Passion are embedded at the core of the organisation's culture.
8. Foster partnerships and advocate for transformational change to achieve sustainable finance solutions.
9. Advance fossil fuel-free banking.


Alvin
Teachers Mutual Bank
- Member since 2015
Alvin is an art teacher, with a passion
for physical and mental health

The Bank for the future

Our framework is also the foundation that underpins our new digital bank – Hiver.

Hiver is the first Australian mutual, digital bank that matches global benchmarks for social responsibility and meets the community's socially responsible banking expectations. Hiver is built on Teachers Mutual Bank Limited's credentials as a world-leading socially responsible bank.

Banking as a force for good

We believe that banking can be a force for good, and banks that act responsibly will have a competitive advantage. Why? Because, as we move towards a more sustainable future, acting in the best interests of people, community and society will lay the foundations for long-term commercial success.

We're not alone in this vision. People are increasingly demanding that companies contribute more to society than financial profits. Nine out of ten Australians want their financial institution to invest responsibly and ethically across the board[1].

Environmental, social and governance issues are becoming of increasing concern. However, we have been a socially responsible bank for more than fifty years, and now we must go even further.

9
OUT OF
10
Australians want their financial institution to invest responsibly and ethically across the board[1].

Joining the B Corp movement

This year we applied to become a B Corp. Certified B Corporations or 'B Corps' are businesses that balance purpose and profit. Globally, B Corps are leading the way in using business as a force for good.

B Corps are businesses that meet the highest standards of verified social and environmental performance, public transparency, and legal accountability. These companies make decisions that make a positive impact on their workers, customers, suppliers, community, and the environment.

Collaborating with the finance industry

The whole finance sector has to change and work together to build a sustainable future.

To have a greater impact, we collaborate with other like-minded organisations on socially responsible banking initiatives. That's why we are part of the Global Alliance for Banking on Values, a group of banks who are working together to change the global banking system so that it is more transparent, and supports economic, social and environmental sustainability.

In the past year we:

- Were named as one of the World's Most Ethical Companies[2] for a record eighth year. Global recognition from the Ethisphere Institute demonstrates to our Members that we meet stringent ethical standards;
- Became the first bank to sign the Climate League 2030, an initiative led by the Investor Group on Climate Change (IGCC) to reduce Australia's emissions in line with the Paris Agreement. We committed to $20 billion in new Certified Responsible Investment products by 2030 with zero fossil fuel industry investment;
- Signed the Tobacco-Free Finance Pledge, as one of 161 financial institutions worldwide. The Pledge's aim is to 'de-normalise' tobacco by ending all business and financial ties with the industry;
- Saw a surge of 84% to $8.3 billion in our wholesale and retail mortgage and deposit products that are Certified as Responsible Investments by the RIAA[3]; and
- Collaborated with 80 organisations to draft the Australian Sustainable Finance Initiative Roadmap. This is a bold plan to align Australia's financial system with a sustainable, resilient and prosperous future for all Australians.

Social responsibility is profitable

Mutual banks currently have a unique advantage in the industry when it comes to ethical business practices, thanks to our strong customer bonds and reputation as purpose-driven organisations. Our strategy to convert natural advantage to competitive advantage will put our Bank – and our Members – ahead.

We believe that operating in a socially responsible manner helps us to be more competitive and drives financial sustainability.

Now is the time for us to lead by example as we continue working towards a better world for our Members.

"We believe that the future of banking is both digital and ethical, and we want to show that banking can be a force for good."

STEVE JAMES, CEO, TEACHERS MUTUAL BANK LIMITED

We collaborated with **80** organisations to draft the **Australian Sustainable Finance Initiative Roadmap**. This is a bold plan to align Australia's financial system with a sustainable, resilient and prosperous future for all Australians.

[1] *From Values to Riches 2020: Charting consumer expectations and demand for responsible investing in Australia. RIAA*

[2] *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. www.ethisphere.com*

[3] *Wholesale DIP, Short Term Deposits and the Retail mortgages and deposits have been certified by the RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certificate Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.*

Supporting our community to work towards a more certain future

As we work through the challenges of COVID-19, we'll guide our Members toward a more financially secure future.

400

This year, our Financial Hardship program has helped nearly 400 Members to navigate their changing circumstances.

Working through COVID-19

We know that the hardships of the pandemic and natural disasters have impacted our Members and their communities. For many, these challenges were financial. To assist those Members experiencing difficulty, we have provided practical financial support.

This year, our Financial Hardship program has helped nearly 400 Members to navigate their changing circumstances.

As we move through the challenges of the pandemic, we have a responsibility as a credit provider to be as supportive as possible, and clearly explain the options available to our Members. To do this, we developed supporting materials and guidance to help them make informed choices. Since March 2021, the majority of our Members on Repayment Pause have successfully resumed their loan repayments without any foreclosures.

Safe and convenient banking

To meet the growing demand for digital banking options during the pandemic, we introduced new initiatives to keep Members safe and our services convenient.

In July 2020, we began offering video home loan meetings to provide safe access to our Lending Specialists. Between November 2020 and June 2021, approximately 1,500 Members chose self-service home loan bookings, and 314 chose home loan video appointments. By the end of June 2021, the program had funded 96 home loans totalling nearly $35,000,000. Following the success of this initiative, we commenced a rollout of video home loan capabilities to branches across the country.

We also made a significant upgrade to our webchat service, optimising the user experience so Members can access information quickly and efficiently.

Financial wellbeing

The findings of the Banking Royal Commission and the impacts of COVID-19 have accelerated the need to address financial wellbeing for the benefit of Australian consumers.

Teachers Mutual Bank Limited has partnered with Your Financial Wellness (YFW) to deliver insights into financial wellbeing and a high quality, personalised financial wellness program for our Members.

We have sponsored a pioneering research project led by UNSW Sydney and YFW. The research by UNSW Sydney has validated the YFW Index and brings together unique attitudinal and psychographic data to paint a picture of individual financial wellness in Australia. The Index runs from a scale of 0 to 10, where higher scores represent greater financial wellness.


Alaneah
Employed by Teachers Mutual Bank Limited and a Member of Teachers Mutual Bank - Member since 2019
Interested in baking desserts and sweets

The next stage of our partnership will see a financial wellbeing platform made available to all Members. The platform will include a snapshot of Members' financial position, tutorials, calculators, budgeting software and video guides. We aim to give our Members the know-how to make informed decisions today, to prepare them for tomorrow.

Accessible financial information

As part of our pledge to make financial information easily accessible to our Members, we launched an initiative to promote electronic statements through Internet Banking. The vast majority (80%) of our Members now receive their statements online.

To highlight the convenience and security of eStatements, we created videos with simple how-to instructions on making the switch. This initiative aligns with our sustainability values by reducing paper waste and taking a digital-first approach for secure and convenient banking for Members.

Accessible home loan products

We believe that banking should be easy and convenient. That's why we are always reviewing our products and services to ensure they are simple to understand, competitively priced, and put our Members' needs first.

This year we launched a new suite of home lending products designed to meet Members' needs at every stage of life, from first home buyer to refinancer. One of our new products is the Your Way Plus package home loan, which has a discounted variable interest rate for essential workers and low-rate rollovers for Members ending their fixed-rate term.

Essential workers in education, emergency services and healthcare who take up the new Your Way Plus package will receive a reduced variable interest rate. If they're a first home buyer, the loan's annual fees will be waived.

Award-winning support

Two industry awards have recognised the support we provide to our Members. We were proud to receive both the Customer Owned Institution of the Year - Fixed Rate Home Loan Award 2020[1] and the Low Rate Credit Card Award 2020 for Teachers Mutual Bank and UniBank.[2]

Welcoming new Members

This year we welcomed new Members to our family through our merger with Firefighters Credit Co-operative Limited.

The merger brought 3,000 new Members to Firefighters Mutual Bank, who now have access to a broader range of products and services. Firefighters Credit Co-operative Limited shares the same values and culture as Teachers Mutual Bank Limited, making this an ideal partnership.

In addition, the Boards of Teachers Mutual Bank Limited and Victoria-based Pulse Credit Union have approved a proposal to merge. Connected by our support for healthcare and university workers, both mutual banks provide their Members with the highest level of service.

Member stories

To allow our Members an opportunity to share their experiences of taking out a home loan with us, we filmed five video testimonials with Members of Teachers Mutual Bank and Health Professionals Bank.

The initiative allows us to see the Bank from our Members' perspective while promoting our essential worker first approach. Personal testimonials also helps us to build brand recognition within the marketplace via Member advocacy.

The footage will be used across all our digital channels, with UniBank and Firefighters Mutual Bank video testimonials to be developed soon.

$30 million

Tiny Monsters has supported 11,500 Members who are 0-12 years old to save $31,000,000 savings

[1] *The Canstar 2020 Customer Owned Bank of the Year Award was received in September 2020 for the Fixed Rate Home Loan product. Canstar is an independent financial services research group. Star ratings are consumer friendly benchmarks that provide a product comparison based on rates and features.*

[2] *The Canstar 2020 5-Star Rating for Outstanding Value Award was received in October 2020 for the Teachers Mutual Bank Credit Card and UniBank Credit Card in the Low Fee Credit Card Category.*

First Home Loan Deposit Scheme

This year, we assisted more than 600 Members to join the property market through our participation in the First Home Loan Deposit Scheme (FHLDS). This initiative allows our Members to purchase a new home with as little as a 5% deposit, without the need to pay Lenders Mortgage Insurance. Under the scheme, the National Housing Finance and Investment Corporation guarantees the lender up to 15% of the property's value.

> **"Buying your first home is a significant life milestone, and the First Home Loan Deposit Scheme has helped a diverse range of our Members to realise their home ownership dreams."**
>
> **STEVE JAMES, CEO, TEACHERS MUTUAL BANK LIMITED**

Investing in our younger Members

In 2015, in line with our promise to teach skills about financial wellbeing to young people, we launched the under-18s banking program. We now provide a range of no-fee products and services to encourage our young Members to watch their savings grow.

Our Tiny Monsters program (0 to 12 years) has almost 11,500 Members, with savings totalling $31,000,000, and our Teen Banking program (13 to 17 years) has almost 6,500 Members, with savings totalling approximately $24,000,000.

Supporting future teachers

We continue to support the next generation of teachers with the Future Teachers Scholarship. Since 2009, we have provided more than $500,000 to 96 scholarship winners and 80 runners up.

This year, 253 people applied for the scholarship. As part of the process, they were asked to write an essay about their post-COVID-19 vision of teaching. Some of the fascinating responses included themes about the fast adoption of technology, the reliance on the internet, and supporting the diverse needs of children with learning disabilities or socio-economic barriers.

Eight scholarships of $5,000 and 10 runner-up prizes of $250 were awarded to future teachers in financial need from across the country.

Celebrating five years of inspiring regional teachers

Teachers Mutual Bank and Bell Shakespeare share a passion for teaching and believe that geography should not be a barrier to professional development. This year we celebrated five years of support for the Bell Shakespeare's Regional Teacher Mentorship.

The program, sponsored by Teachers Mutual Bank, aims to develop skills, knowledge and ideas for teaching Shakespeare to children in regional schools. We are committed to supporting teachers to inspire their pupils no matter where they live.

> **"Not only does the program reignite their passion for Shakespeare, but it also reignites their passion for teaching."**
>
> **JOANNA ERSKINE, HEAD OF EDUCATION, BELL SHAKESPEARE**

Supporting Aboriginal and Torres Strait Islander education

The NSW Premier's Teachers Mutual Bank Aboriginal Education Scholarship is open to teachers working in Aboriginal and Torres Strait Islander education from NSW schools and TAFEs.

This year's scholarship was awarded to Sabina Armstrong, Head Teacher of Secondary Studies/Wellbeing/Aboriginal Education at Walcha Central School. Sabina visited the Northern Territory to understand the most effective ways for Aboriginal and Torres Strait Islander students to learn and how to support them to remain engaged in education.

600

This year, we assisted more than 600 Members to join the property market through our participation in the FHLDS.

Encouraging future leaders

In September 2020, UniBank sponsored an online leadership workshop for Early and Mid-Career Researchers (EMCR).

Presented in conjunction with the Australian Academy of Science, the workshop taught valuable leadership skills to the attendees, demonstrating how they could be applied to successful careers beyond the sector, particularly in the context of COVID-19.

Australia Healthcare Week 2021

Health Professionals Bank sponsored Australian Healthcare Week (AHW). AHW is the largest healthcare event in the Southern Hemisphere, with more than 5,000 attendees gathering online and in person. The theme of the 2021 conference was 'continuous improvement'.

The AHW conference brought together key decision makers from executives to clinicians to discuss the latest technologies and innovations shaping the industry.

As part of our ongoing commitment to support our essential workers, experts from the Bank's Cyber Protection, Technology Services, and Marketing teams presented to delegates at this year's conference.

Speaking on the topic of 'how to stay safe online', we shared practical, actionable advice on cyber hygiene, data protection, and privacy. From spotting deceptive accounts to protecting your passwords, AHW delegates received a crash course in staying safe online – highlighting risks, sharing knowledge, and empowering healthcare workers to protect their friends, family, and funds online.

Inspiring students with access to visual art

This year, Teachers Mutual Bank sponsored ARTEXPRESS *Virtual*, a showcase of 50 exemplary HSC Visual Arts major works used as an inspiring resource for teachers. For the first time, the exhibition was held on a virtual platform, allowing regional and remote schools to view the presentation and keep COVID-19 safe.

Our sponsorships aim to support Members through professional development opportunities and valuable workshops.

Girls on Fire

Firefighters Mutual Bank has worked in partnership with Girls on Fire since 2018 to increase the number of women in fire fighting and emergency services. The Firefighters Mutual Bank Girls Fire and Emergency Services Camp teaches young women about firefighting and emergency services skills and encourages them to consider a career or volunteering role in fire fighting or emergency services. The Camp demonstrates that women can take on more physically demanding roles and builds the confidence of young women to help them to flourish in whatever field they choose. This partnership is part of our commitment to the fire and emergency services community.

Hiver – a new digital bank

In an exciting new direction, we have launched a digital bank, Hiver. Hiver is a combination of the latest digital technology with our responsible investment values. Hiver is the first digital-only bank from an Australian mutual bank.

It takes less than three minutes to sign up, and Members can instantly begin transacting through their digital wallet. Created specifically for essential workers, Hiver is designed with community at its core. Being part of 'the Hive' allows Members to contribute to their fellow 'Hivers' ecosystem and financial goals.

Between November 2020 and May 2021, more than **1,500** Members chose self-service home loan bookings, and **314** chose home loan video appointments

Bronnie

Firefighters Mutual Bank - Member since 2002

Bronnie founded Girls on Fire in 2016 to educate girls about the variety of jobs in emergency services

Results on our targets

We always put Members first and act in their best interests. We support our Members and their communities to create a positive impact.

Priority Area	Targets	Results
Member growth and satisfaction	**Member retention rates at 95% or higher**	Our Member retention rate was 98.12%.
	Measure, report and benchmark Net Promoter Score (NPS) and satisfaction scores for Members (including in our Contact Centre)	Teachers Mutual Bank (satisfaction rate of 89%, NPS of 55), UniBank (satisfaction rate of 88%, NPS of 34), Firefighters Mutual Bank (satisfaction rate of 91%, NPS of 55).
	Ensure our complaint processes are effective, efficient and result in 95% of complaints being resolved within 14 days	95.4% of complaints were 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) represented 0.34% of the total number of complaints received.
	Determinations in the clients favour not to exceed 10% of cases registered with an external dispute resolution authority	The Bank had zero adverse findings of the total closed AFCA cases.
	No external loss of data that results in a major breach of policy	No external loss of data that results in a major breach of policy.
	Assist Members in financial difficulty through the Financial Hardship program	399 Members were assisted with the Financial Hardship program.
Investing in impact	**Ensure all stakeholder Advisory Committees provide industry expertise, engage on issues and concerns, and act as a liaison with key stakeholders, partners and external organisations**	We have four Advisory Committees for Firefighters Mutual Bank, Health Professionals Bank, Teachers Mutual Bank and Unibank that meet on a quarterly basis. The Committees have 22 external representatives providing industry expertise and engagement with stakeholders in the education, university, health and emergency services sectors in Australia. The Committees highlight the issues and concerns affecting the Bank to be reported back to Management and the Board.
	Undertake a strategic review of our community investment approach	The Bank developed a national Sponsorship Strategy with the objective to transform and reposition the sponsorship portfolio into an integrated, national, multi-branded approach which delivers on our promise to invest in our Members, their industries and communities. The Strategy has a three pillar approach: supporting our Members' health and prosperity, fostering equity, and promoting sustainability of their industries. The Strategy was stress-tested with the Advisory Committees. Sponsorship selection is guided by Sponsorship guidelines, and a Scorecard criteria which are reviewed annually. COVID-19 impacted the normal operations for sponsorships with most face-to-face activity cancelled or converted to an online experience, and continuation of support for sponsored organisations during difficult times.

Priority Area	Targets	Results
Investing in impact	**Refine our partnerships strategy to focus on key stakeholder groups that share our values, and to establish mutual benefit**	While this year has been challenging due to COVID-19, we have used this time to concentrate our support and deepen our engagement with key partners that include government departments, industry trade unions and industry peak bodies across the education, emergency services and health sectors. Our focus, along with financial support, has been to work with our partners to deliver financial awareness and wellbeing for our Members. We have also worked with our Advisory Committees to ensure key initiatives are deemed appropriate.
	Invest a minimum of 5% of net profits after tax (NPAT) in the community	The Bank invested 5% of NPAT in the community.
	Increase partnerships and engagement with Aboriginal and Torres Strait Islander peoples	We formed the Bank's first working group to develop measurable actions in partnership with Aboriginal and Torres Strait Islander stakeholders and organisations to support reconciliation. We communicated our commitment to reconciliation amongst our employees by providing opportunities to attend interactive workshops facilitated by Aboriginal and Torres Strait Islander peoples.
	Support CUFA's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy Program in Cambodia	CUFA published a detailed report on the impact over the last 5 years of the Program. Results include 30,635 children receiving financial literacy training, visits to 87 schools and 1,999 homes, 77 workshops held for 672 teachers and 17,076 children started saving. During COVID-19, the Program continued to deliver impact by supporting adaptive learning for 6,000 students in rural schools across two provinces in Cambodia, for example, by making lessons available via YouTube and encouraging self-paced learning using CFL worksheets delivered directly to the students in coordination with the local school teachers.
	Increase engagement and reach for employee volunteer days and charity support	Despite the ongoing COVID-19 challenges, 47 staff took volunteer leave and donated 329 hours to the community. Some used their leave to volunteer in Bank organised activities, while others participated in their own volunteering opportunities. Staff donations via our charity days and workplace giving totalled $13,903. Donations were made to Peer Support Australia, Gotcha4life, CUFA, Heart Foundation and Mother's Day Birthing Kit Australia. In addition, the Bank donated $6,142 to charities nominated by staff, as well as providing other charitable support.

Priority Area	KPIs	Results
Member growth and satisfaction	**Members satisfaction rating**	89% (Teachers Mutual Bank), 88% (UniBank) and 91% (Firefighters Mutual Bank).[1]
	NPS score for our bank	55 (Teachers Mutual Bank), 34 (UniBank) and 55 (Firefighters Mutual Bank).[1]
	Formal complaints received by the AFCA	26
	Members assisted through the Financial Hardship program	399
Investing in impact	**Total investment into the community**	$1,450,024
	Staff volunteering (hours)	329
	Employee giving and donations	$20,045
	Total NPAT invested into the community (%)	5%

[1] *Health Professionals Bank launched in 2019 and is currently too small to measure satisfaction ratings and NPS data.*

Strengthening connections with our people

Our priority is the wellbeing of all of our people. Whether working from home or in the office, we ensure our people stay connected and cared for.

93%

of staff agree that their values align with Teachers Mutual Bank Limited's core values

84%

of staff would recommend Teachers Mutual Bank Limited as a place to work

Supporting our people through COVID-19

Over the past two years, many organisations have experienced a significant learning curve as COVID-19 challenged us to find new ways of structuring the workplace. One of the vital goals for Teachers Mutual Bank Limited was to maintain the connection with our people while we worked from home.

We established a strong workplace community online, including regular updates from the Crisis Management Team about the evolving situation. We also encouraged attendance at wellbeing seminars on topics such as resilience, ways to take care of your mental health and promoting exercise.

Throughout all of the disruptions, our people have worked diligently and professionally to continue delivering the essential service of banking for our Members. In particular, we thank our frontline branch workers who have worked exceptionally hard to serve our Members throughout the pandemic.

Prioritising the wellbeing of our people

Supporting the wellbeing of our employees is always a priority, but during the pandemic, it became crucial. As we faced the challenges of COVID-19, we took every opportunity to connect with our people, providing resources to managers and leaders to check in with their teams regularly.

We also upgraded our confidential Employee Assistance Program. New functions include an app to support emotional resilience and options to book time with a wellbeing coach or therapist.

Employee engagement

A focus on the wellbeing of our people has contributed to a continued high staff engagement rating of 80%. Additionally, 84% of staff said they would recommend the Bank as a good place to work. Our people stay with us – the average tenure is 9.4 years.

Connecting with our people

During the pandemic, we introduced virtual town hall events to provide our people with direct access to the executive team and our CEO, Steve James. The events proved popular, with close to half of all employees attending each event. They have a simple, inclusive structure, beginning with an overview from our CEO, before opening up to questions from attendees.

We regularly receive more than 50 questions per

session from our engaged attendees. Due to the success of these online events, we will continue to hold them every two months to maintain the strong connection between the Executive Management and staff.

Strengthening our values

Our values are at the centre of everything we do. To strengthen their meaning for our people, we began conducting focus groups to help bring our three core values into action: Advocacy, Passion, and Sustainability.

Taking direction from these values, activities centre on creating real-life examples. Using this method, we encourage our people to embed our values firmly in the Bank's workplace culture.

Staff giving

Despite the ongoing COVID-19 challenges, we had 47 staff take volunteer leave and donate 329 hours to the community.

Some used their leave to volunteer in Bank organised activities, while others participated in their own volunteering opportunities. Staff donations via our charity days and workplace giving totalled $13,903. In addition, the Bank donated $6,141.65 to charities nominated by staff.

A welcoming, inclusive environment

The Bank encourages diversity at all levels of the organisation. We ensure that all employees are treated with respect and dignity, regardless of age, gender or gender identity, sexual orientation, disability, socio-economic status, ethnicity, cultural background, religious belief, or neurodiversity.

We believe in the importance of our people feeling comfortable in a welcoming environment and have high standards concerning discrimination, bullying, harassment, and privacy, which builds on our values-based, ethical reputation. The aim is to create a genuinely inclusive culture where every employee is valued.

One of the most important goals for Teachers Mutual Bank Limited was maintaining a connection with our people while the workforce stayed at home.

80%

Our employee engagement score remains strong at our target of 80%, which is in line with best practice

Results on our targets

We understand that success and excellent Member service relies on people who act with values. We seek to create diverse, nurturing, and positive environments for our people to grow.

Priority Area	Targets	Results
Professional growth	**Maintain employee engagement at or above 80%**	The Employee Attitude Survey showed 80% of employees were engaged, as measured by Actively Engaged (Strongly Agree) and Satisfied (Agree). This result is in line with global best practice, and to have achieved 80% employee engagement result in a COVID-19 year is a strong result.
	Minimum 85% of employees would recommend the Bank as a place to work	84% of employees would recommend the Bank as a place to work, and the score is a reflection of our positive workplace culture.
	Maintain staff turnover at an acceptable level of 10-15%	Staff turnover was at 14.8% for 2020-2021, which has increased on the previous year's figure of 9% (in line with limited market movement during the height of the pandemic in 2020). This benchmark is within industry norms of between 15-20% total staff turnover.
	All employees to complete annual performance reviews and annual development plans	All employees complete performance reviews as part of an annual cycle of employee feedback and development. These reviews will be moved to a quarterly performance review process to reflect a coaching-based operating rhythm as part of a new performance management framework in 2021-2022.
	Promote a zero tolerance culture for corruption and fraud	The Bank has strengthened its risk culture over the past 12 months through comprehensive training. Our Code of Conduct, Anti-Money Laundering and Counter-Terrorism Financing Training and Whistleblower Policy also promote a zero tolerance for corruption and fraud.
	100% of employees trained in Bank policies and procedures	100% of employees are trained in Bank policies and procedures as part of the employee lifecycle.
	Reduce the lost time incident rate (LTIR) (in days)	The lost time incident rate (LTIR) reduced from 38 days to 16 days in 2020-2021.
Inclusion & wellbeing	**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. 89% of employees agree that harassment, discrimination or bullying are not tolerated at the Bank.
	Strengthen our Diversity & Inclusion Strategy	This year we established a new Diversity & Inclusion Committee to oversee the implementation of a refreshed Diversity & Inclusion Policy, Framework and Action Plan. The goal is to lead the creation of an inclusive culture that recognises the value and competitive edge that a diverse organisation brings, and champion a broad range of diversity and inclusion education campaigns.
	Wellbeing is integral to every employee's role	WHS responsibilities are included in the Bank's Code of Conduct which all employees are obligated to comply with. In addition, all employees undergo compulsory online compliance training for WHS.
	Exceed the ASX average of the percentage of females in Board, Executive and Management positions	44% of our Board are female (ASX average is 33.6%). 40% of Managers and Executives are female (compared to 28.5% on the WGEA scorecard).

Priority Area	KPIs	Results
Professional growth	**Number of annual training hours per employee**	23.8 hrs/employee
	Employee engagement rating	80%
	Employee turnover rate	14.80%
	Percentage of all employees trained in code of conduct and whistle-blower policies	100%
	Whistle-blower incidents per year	0
Inclusion & wellbeing	**Percentage of women in leadership positions**	40% (Management and Executive) 44% (Board)
	Percentage of staff in formal flexible workplace arrangements	30%

Changing the world by investing ethically and responsibly

Now more than ever, we have a duty to prove that money has an impact and when invested responsibly, it makes a big difference to the world.

$20bn

Our commitment is to deliver an additional $20 billion in Certified Responsible Investment products by 2030.

Building a sustainable future

Financial institutions have a unique opportunity to affect the world. By making changes to how we invest and lend, our industry can help to build a more sustainable future.

In the wake of the pandemic, it is more important than ever to work together to achieve this.

Taking climate action

This year, we were the first bank to join the Climate League 2030, an initiative led by the Investor Group on Climate Change (IGCC) to reduce Australia's emissions by at least 230 million tonnes by the end of the decade. This initiative brings together investors, businesses, banks and insurers to contribute towards Paris-aligned emissions reductions and help secure a healthy Australian economy. Our commitment is to deliver an additional $20 billion in Certified Responsible Investment products by 2030 that have zero fossil fuel industry investment.

> **"We are proud to have our first bank partner on board. The fresh commitment by Teachers Mutual Bank Limited demonstrates their responsible and practical actions to address climate risk and help achieve the goals of the Paris Agreement."**
>
> **REBECCA MIKULA-WRIGHT, CEO, IGCC**


Katie
UniBank
- Member since 2019
Katie joined UniBank because she has a passion to heal our environment and ensure we act sustainably

Tackling our climate footprint

The Bank has been net zero for direct greenhouse gas emissions since 2012. An external analysis of our emissions in the last six years showed that despite the Bank growing considerably, with a 76% growth in assets and doubling of offices from 6 to 12, we reduced emissions by 47% and emissions intensity by 70%. Over that period, the Bank invested more than $850,000 in solar PV, LEDs, improved energy efficiency, two electric vehicles and verified carbon offsets from solar power. This shows that the Bank can grow and reduce emissions at the same time.

Improving financial literacy for Cambodian children

Since 2016 we have partnered with not-for-profit organisation CUFA on the Children's Financial Literacy program to educate Cambodian children about financial literacy, taking a grassroots approach to addressing the causes of poverty. To date the program has helped more than 30,000 children receive financial literacy training. Of those, almost 17,000 children began contributing to their savings. The program continues to be a success, tangibly improving the lives and financial futures of some of Cambodia's poorest citizens.

Creating a safer world free from tobacco

Building on our policy to not lend to or invest in damaging industries, the Bank has become a signatory to the Tobacco-Free Finance Pledge. The group is a growing network of collaborative financial institutions working towards a tobacco-free world. How tobacco companies are financed is an essential part of controlling this global industry. In the 55 years since we were founded, the Bank has never invested in or taken money from the tobacco industry. We are one of 161 financial institutions worldwide to sign the pledge.

> **"This commitment provides reassurance to our Members that their money is being invested ethically and responsibly and that we are actively contributing to a better world – one free from tobacco."**
>
> **STEVE JAMES, CEO,**
> **TEACHERS MUTUAL BANK LIMITED**

One of the World's Most Ethical Companies

This year, Teachers Mutual Bank Limited is proud to be named one of the World's Most Ethical Companies for a record eighth time by The Ethisphere Institute. The external measurement highlights our unwavering commitment to ethical values and responsible practices.

Assessment of award-winning companies is based on more than 200 individual areas, including culture, environmental and social practices, and ethics as well as compliance activities, governance, diversity and initiatives. We believe that transparency is an integral part of being an ethical and responsible business.

> **"Teachers Mutual Bank Limited is a global ethical leader, and we are delighted by their inclusion in the 2021 list."**
>
> **TIMOTHY ERBLICH, CEO,**
> **THE ETHISPHERE INSTITUTE**

8th

This year, Teachers Mutual Bank Limited is proud to be named one of the World's Most Ethical Companies for a record eighth time by The Ethisphere Institute.

Australia's leading bank for socially responsible products

We are the only Australian bank to have wholesale investments and retail mortgages and deposits certified as Responsible Investments by the RIAA, which are about 98% of all products that the Bank sells. This year, our total Certified product portfolio increased by 84% ($3.8 billion) to $8.3 billion. The breakdown of Certified products on the balance sheet is 43% assets and 44% liabilities.

> **"Teachers Mutual Bank Limited sets a leading example for responsible investment in the Australian banking community. We congratulate the Bank on the growth of Certified products and ongoing commitment to social responsibility."**
>
> **SIMON O'CONNOR, CEO, RIAA**

Trusted credentials

The Responsible Investment Certification Symbol is the leading mark for distinguishing quality, responsible, ethical and impact investment products and services in Australia and New Zealand. Certification means that your responsible investment credentials can be trusted and you are a leader in responsible investment practice. Certification provides confidence that a product is delivering on its responsible investment promise and meeting the Australian and New Zealand Standard for responsible investing.

$8.3bn

We are the only Australian bank to have wholesale and retail mortgages and deposits certified as responsible investments by the RIAA, which are about 98% of all products that the Bank sells.

Results on our targets

We ensure the impact of our operations sustains the planet in our products, our premises and by our people. We invest our Members' money responsibly and ethically, and provide socially responsible products as standard.

Priority Area	Targets	Results
Responsible operations	**Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy**	Third party verification for our net zero and carbon neutral statements was provided by Point Advisory. Teachers Mutual Bank Limited and its subsidiary entities are: 'Net zero for all direct greenhouse gas emissions (Scope 1 and 2 - electricity, natural gas and vehicle fuel). Carbon neutral for all direct greenhouse gas emissions (Scope 1 and 2 - electricity, natural gas and vehicle fuel). In 2020-2021, underlying Scope 1 and 2 emissions (tCO2-e) reduced by 21% to 1,103 tonnes. 100% of the Bank's electricity, natural gas and vehicle fuel emissions are offset by purchasing and surrendering Verified Carbon Units (VCUs) created by a solar power project in Vietnam. Solar PV on the Bank's buildings generated 18% of electricity consumption.'
	Mandatory installation of solar PV and LEDs for all new owned buildings	We purchased one office in Belconnen, ACT, which uses 100% green power.
	All new building leases to be minimum 4 star on National Australian Built Environment Rating System (NABERS)	We did not add any rental offices.
	Purchase electric cars and implement fast charging stations for our staff and Members	We purchased 2 electric cars (Kia Neo) and are working on the design and construction of charging stations.
	Implement water saving initiatives in all of our facilities	All tap upgrades use 5 Star WELS rating as part of our regular water restrictors program. We are developing a proposal for rainwater harvesting for our 2 larger sites, Homebush and Rooty Hill.
	Reduce paper consumption by 50%, and 100% of paper purchased to be from a certified sustainable source	100% of paper is sourced from FSC or PEFC. Paper consumption was reduced by 14% to 32.3 tonnes.
	50% of waste generated is diverted from landfill	48% of waste was diverted from landfill.

Priority Area	Targets	Results
Sustaining our planet	**All Executive and Managers have sustainability KPIs in their performance reviews**	100% of Executives and Managers have sustainability KPIs in their performance reviews.
	Mandatory sustainability training for all employees	Mandatory sustainability training module for all employees was introduced in LearnSmart.
	Mandate and embed sustainability in our supply chain Vendor Management Framework (VMF) for all material strategic and major suppliers	The Vendor Management Framework (VMF) is being reviewed, as part of our Modern Slavery Commitment and wider sustainability supply chain efforts.
	3% of business support purchasing to be sourced from indigenous enterprises	2.1% of office supplies was purchased from Indigenous business suppliers. These products are recycled paper cups, plates and napkins.
	Set RIAA Certification for Responsible Investment as the standard for products	We successfully re-certified all five products with RIAA for a further two years to March 2023, meeting the more stringent RIAA requirements for Responsible Investment. These are retail deposits, mortgages, and wholesale products for all five brands.
	Set as standard that banking products exclude fossil fuel industry investment	All our wholesale products, retail and deposits products formally exclude investment in the fossil fuel industry via our ESG Credit Risk Policy exclusions. This forms the Certification product criteria set by the RIAA. Those products comprise about 98% of all products sold by the Bank, and the 2% remaining represents products that cannot be Certified, such as third party travel insurance, or credit cards.

Priority Area	KPIs	Metric
Responsible operations	**Paper recycled**	12.7 tonnes
	Paper use per employee	57kg/FTE
	Waste generated per employee	37kg/FTE
	Electricity generated by solar panels	209,121kWh
	Emissions intensity (tCO2-e per million $ of assets)	0.11
	Total electricity consumed	1,265,409KwH
	Waste diverted from landfill	48%
Sustaining our planet	**Percentage of spend on independent suppliers**	2.1%
	Number of staff completed sustainability training	581
	Number of RIAA products certified	5
	Percentage of the balance sheet comprised of RIAA products	35% assets and 50% liabilities

Mapping our targets to the UN Sustainable Development Goals

In 2015, 193 countries made a commitment to the United Nations' Sustainable Development Goals (SDGs) to achieve the 2030 Agenda for Sustainable Development.

We support the SDGs, which present a framework for sustainable business practices at the economic, social, and environmental levels, and set out a path to fight inequality and injustice, protect our planet, and end extreme poverty.

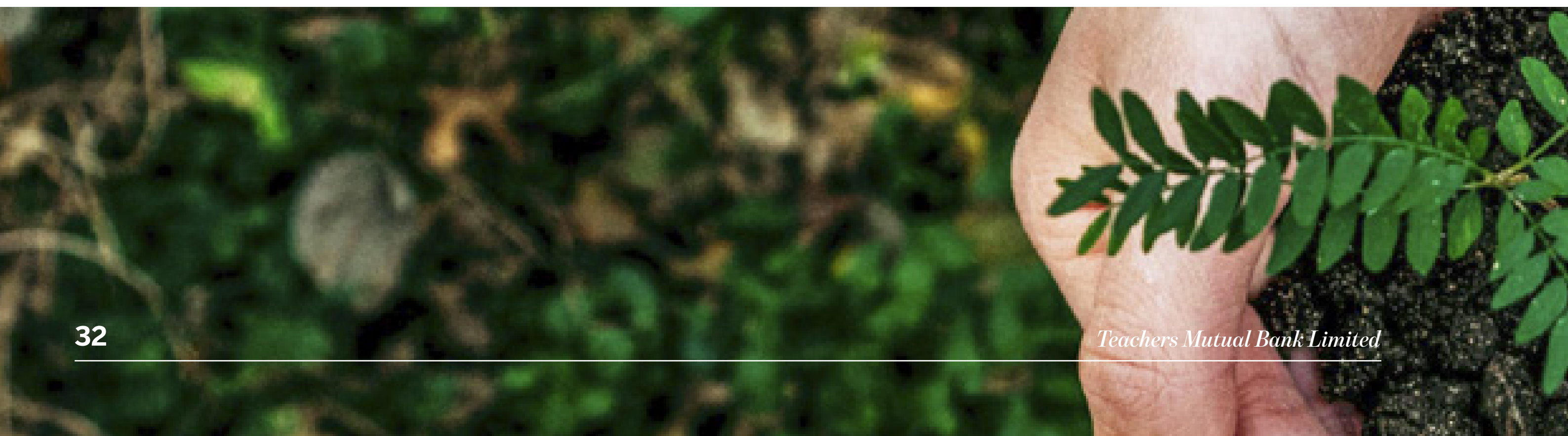
No matter how large or small, and regardless of their industry, all companies can contribute to the SDGs. While the scale and scope of the global goals is unprecedented, the fundamental ways in which businesses can contribute remain unchanged. The UN Global Compact asks companies to first do business responsibly and then pursue opportunities to solve societal challenges through business innovation and collaboration.

In 2021, we engaged external sustainability consultants, Point Advisory, to map our organisational targets and KPIs against the SDGs most relevant to our business – 13 of the 17. Mapping to the SDGs aligns with our commitments to transparency, and reporting on our progress against best practice international metrics and standards.

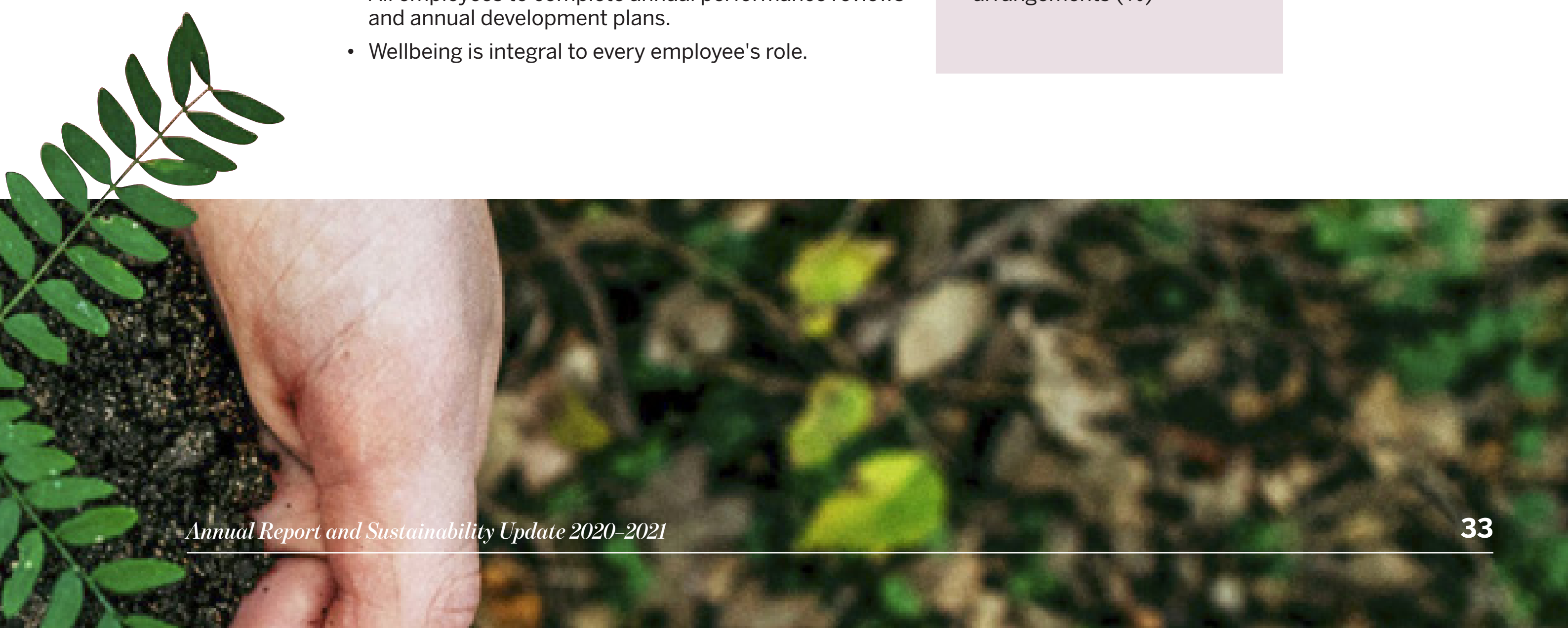
"Our Members contribute so much to society – they deserve a bank that makes a positive social impact. To meet our Member's expectations for social responsibility and transparency, we ensure that our organisational targets and KPIs are mapped against the 13 SDG targets most relevant to our business."

CORIN MILLAIS,
HEAD OF SOCIALLY RESPONSIBLE BANKING

THE GLOBAL GOALS
For Sustainable Development



SDG	Our most relevant targets	Our most relevant KPIs	Page number
1 NO POVERTY	• Support CUFA's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy Program in Cambodia. • Assist Members in financial difficulty through the Financial Assistance Package.	• Employee giving and donations ($) • Total NPAT invested into the community (%) • Members assisted through the credit assistance program (#)	P21
3 GOOD HEALTH AND WELL-BEING	• Wellbeing is integral to every employee's role.	• Employee engagement rating (%)	P25
4 QUALITY EDUCATION	• All employees to complete annual performance reviews and annual development plans. • Support CUFA's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy Program in Cambodia. • Invest a minimum of 5% of NPAT into the community.	• Number of annual training hours per employee (#) • Total NPAT invested in the community ($ and %)	P24 P21
5 GENDER EQUALITY	• Zero tolerance of discrimination, harassment and bullying. • All leaders and managers undertake unconscious bias training. • Exceed the ASX average of the percentage of females in Board, Executive and Management positions.	• Percentage of women in leadership positions (%) • Staff in flexible workplace arrangements (%)	P25
6 CLEAN WATER AND SANITATION	• Implement water saving initiatives in all of our facilities. • Mandatory sustainability training for all employees.	• Staff completed sustainability training (#)	P31
7 AFFORDABLE AND CLEAN ENERGY	• Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy. • All new building leases to be minimum 4 star on National Australian Built Environment Rating System (NABERS). • Purchase electric cars and implement fast charging stations for our staff and Members.	• Electricity generated by solar panels (kWh) • Emissions intensity (tCO2-e per million $ of assets) • Total electricity consumed (kWh)	P31
8 DECENT WORK AND ECONOMIC GROWTH	• Minimum 85% of employees would recommend the Bank as a place to work. • Maintain staff turnover at an acceptable level of 10-15%. • All employees to complete annual performance reviews and annual development plans. • Wellbeing is integral to every employee's role.	• Employee engagement rating (%) • Employee turnover rate (%) • Staff in flexible workplace arrangements (%)	P25



SDG	Our most relevant targets	Our most relevant KPIs	Page number
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Foster partnerships and advocate for transformational change to achieve sustainable financial solutions. • Set socially responsible products as the standard for all our Members and investors. • Advance fossil fuel free banking.	• RIAA products added to the balance sheet (#) • Portion of the balance sheet comprised of RIAA products (%)	P31
10 REDUCED INEQUALITIES	• Increase partnerships and engagement with Aboriginal and Torres Strait Islander people. • Zero tolerance to discrimination, harassment and bullying. • Exceed the ASX average of the percentage of females in Board, Executive and Management positions.	• Percentage of women in leadership positions (%) • Staff in flexible workplace arrangements (%)	P25
11 SUSTAINABLE CITIES AND COMMUNITIES	• Invest a minimum of 5% of net profits after tax (NPAT) in the community. • Undertake a strategic review of our community investment approach.	• Total investment into the community ($) • Total NPAT invested into the community (%)	P21
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Mandate and embed sustainability in our supply chain Vendor Management Framework (VMF) for all material strategic and major suppliers. • Mandatory sustainability training for all employees.	• Paper recycled (tonnes) • Paper use per employee (tonnes) • Waste diverted from landfill (%) • Waste generated per employee (kg/FTE)	P31
13 CLIMATE ACTION	• Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy. • Set as standard that banking products exclude fossil fuel industry investment. • Reduce paper consumption by 50%, and 100% of paper purchased to be from a certified sustainable source.	• Electricity generated by solar panels (kWh) • Emissions intensity (tCO2-e per million $ of assets) • Waste generated per employee (kg/FTE) Paper use per employee (kg/FTE) • Total electricity consumed (kWh)	P31
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• 100% of employees trained in Bank policies. • Strive for international leadership in socially responsible banking. • Benchmark to global standards on reporting, transparency, and verification. • Strengthen our governance, policies, and operations to ensure that the Bank is run for people, planet and profit. • Exceed the ASX average of the percentage of females in Board, Executive and Management positions.	• Percentage of all employees trained in code of conduct and whistle-blower policies (%) • Whistle-blower incidents per year (#) • Formal complaints received by external bodies (#) • Formal complaints received by the AFCA (#) • Percentage of women in leadership positions (%)	P25 P21 P25
17 PARTNERSHIPS FOR THE GOALS	• Foster partnerships and advocate for transformational change to achieve sustainable finance solutions. • Ensure all stakeholder Advisory Committees provide industry expertise, engage on issues and concerns, and act as a liaison with key stakeholders, partners, and external organisations. • Refine our partnerships strategy to focus on key stakeholder groups that share our values, and to establish mutual benefit.	• Total investment and NPAT invested into the community ($ and %)	P21


Kate
Teachers Mutual Bank
- Member since 2003
In her spare time, you'll find Kate fixing up her garden, or re-painting a room in the house

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).

Maree O'Halloran AM (Chairperson)

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

Maree O'Halloran was appointed to the position of Chairperson in August 2019. She is currently Special Counsel 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 is currently a Director of Teachers Health, and has served as a member of the NSW Public Service Commission Advisory Board, 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 and the Risk and Compliance Committee.

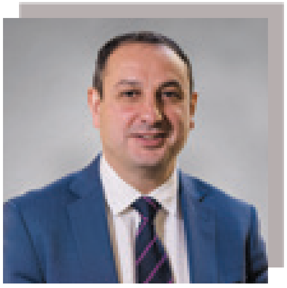
Andrew McCready (Deputy Chairperson)

BSc, A Fin

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 in 2016, Mr McCready continued on the Firefighters Mutual Bank Advisory Committee.

Mr McCready is a member of the Audit Committee, Nominations Committee and the Risk and Compliance Committee.



Murat Dizdar (Director)

B.Ed (Secondary Humanities)
(appointed 28 January 2021)

Murat Dizdar PSM is the Deputy Secretary, School Performance – South at the NSW Department of Education. As a senior leader, Mr Dizdar oversees the provision of a quality public education for students in over 2,200 schools.

Mr Dizdar co-leads the School Performance division that provides support to 80,000 teachers and school leaders to deliver a high-quality education for over 823,000 students. The School Performance division consists of teams that are responsible for school planning, ongoing self-assessment and external validation, annual reporting and policy implementation. School Performance also oversees strategic partnerships in the arts, sport, high performing students, community languages and international students. Mr Dizdar presides over the Bushfire Strategy, that supports communities devastated by the 2019/2020 fires, and the Connected Communities directorate, that strengthens the educational outcomes for Aboriginal students.

Mr Dizdar's career with the NSW Department of Education began as a social sciences teacher at Ashcroft High School.

He has experience in a range of school leadership roles including being senior principal of Belmore and Punchbowl Boys High School.

Mr Dizdar holds a Bachelor of Education (Secondary Humanities) majoring in Economics and Geography from the University of Sydney.

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 is a member of the Nominations Committee.

Emeritus Professor William Ford (Director)

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

Professor Ford was a director of Unicredit since 1990 and Chair from 2004 up until Unicredit's merger with Teachers Mutual Bank in 2015.

Professor Ford's experience includes Barrister and Solicitor of Supreme Court of WA; Emeritus Professor of Law (UWA); Dean of the Law School, University of WA (2001-2011); Former Chair, Council of Australian Law Deans (2007-2011); Former Committee Member (UWA Branch) NTEU & Secretary UWA Academic Staff Association; and Former National Vice-President (Academic) NTEU.

Professor Ford is a member of the Board Remuneration Committee, the Risk and Compliance Committee, and the UniBank Advisory Committee.

Linda Green (Director)

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 and was elected to the Board in 1997. Mrs Green is the Chair of the Board Remuneration Committee, a member of the Audit 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 (resigned 21 November 2020)

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 was Chair of the Audit Committee, as well as a member of the Risk and Compliance Committee and the UniBank Advisory Committee.

Andrew Kearnan (Director)

MAICD, MBA, BSc (Hons) (appointed 21 September 2020)

Andrew Kearnan joined the Board as an independent Non-Executive Director in September 2020. He is Chair of the Audit Committee.

He is a Director of RACQ Insurance Limited and Member of their Audit Committee. He is a Director of the Australian

Shareholders' Association, where he Chairs the Audit and Risk Committee and is a Member of the Policy Committee. He runs an independent Corporate Advisory business, providing strategic, corporate finance and capital markets advice to financial services businesses.

Mr Kearnan has held Executive and Non-Executive positions at leading financial services institutions including Bank of America Merrill Lynch, Commonwealth Bank of Australia, Hollard Insurance, Greenstone Financial Services, Complii FinTech Solutions, Colonial First State Group and Commonwealth (Life) Insurance Holdings Limited.

He is a past Member of the Australian Accounting Standards Board and has previously Chaired the Audit Committee for the APRA regulated Hollard Insurance entities. He was consistently rated as one of Australia's top equity research analysts in the Australian financial services sector.

Mr Kearnan has an Honours degree in Science (Biochemistry), an MBA, is a Member of the AICD and has completed the AICD Company Directors Course.

John Kouimanos (Director)

BA, Dip. Ed (resigned 14 December 2020)

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 in 1973 and served until appointed as 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. Mr Kouimanos was 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.

Michael O'Neill (Director)

BEc, BEd, Grad Dip Acct, FFTA, GAICD

Michael O'Neill is an experienced senior executive and director with over 25 years' experience in financial services. Mr O'Neill 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. Mr O'Neill 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 2014-2019.

Mr O'Neill is the Chair of the Risk and Compliance Committee, a member of the Board Audit Committee, Remuneration Committee and the Health Professionals Bank Advisory Committee.

Melissa Reynolds (Director)

BEc, MComm, GAICD (appointed 21 September 2020)

Melissa Reynolds is an accomplished senior executive with over 30 years' experience in ASX listed financial services, energy and media companies including as Chief Customer Officer at AGL Energy, and Executive General Manager Retail Banking and General Manager Mortgages at National Australia Bank. She has significant strategic, commercial and operational leadership expertise in new product development, market expansion, brand, distribution and digital transformation. Ms Reynolds is a member of the Board Risk and Compliance and Remuneration committees. Her other directorships include Independent Director at the Colonial Foundation, Director of Deep Brain Stimulation Technologies Pty Ltd and member Governance and Risk Committee Genazzano FCJ College. She has a Bachelor of Economics from Newcastle University NSW, a Masters of Commerce from University of NSW, is a graduate of AICD and has completed the Advanced Management Program at Insead, France.

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.

During the year, the Board of Directors have undergone significant renewal with three long standing Directors retiring from the Board between July to December 2020. We had four new Directors join the Board during the year, one filling a casual vacancy in July 2020 then elected to the Board in November 2020 and two newly appointed Directors joining in September 2020. In January 2021, a new Director was appointed to fill a casual vacancy on the Board. This has provided the Board of Directors with significant renewal and independence over the financial year. 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.

Company secretary

The Company Secretary in office at the end of the financial year is Fred Taweel.

Fred Taweel (Company Secretary)

B.Bus (Bus. Admin), Grad. Dip. App Corp Gov, FGIA FCGI (CS, CGP), FIIA (CIA), CFE (appointed 1 October 2020)

As Company Secretary, Fred Taweel has a leading role in the effective governance and administration of Teachers Mutual Bank Limited. He was previously the Bank's Chief Internal Auditor, leading a professional team dedicated to best practices in risk management, corporate governance and control frameworks.

He is active in both national and global banking spheres, and remains a member of national industry-related committees. He is committed to ensuring Teachers Mutual Bank Limited meets the expectations and needs of key stakeholders including Directors, management, staff, Members and regulators.

Mr Taweel strives to always put people first, and strongly believes in the ethical and professional ethos of Teachers Mutual Bank Limited.

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 35 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:

Board of Directors meetings attended by:	A	B
Maree O'Halloran	17	17
Tyrone Carlin	7	7
Murat Dizdar	8	8
Verity Firth	16	16
William Ford	17	17
Linda Green	17	17
John Kouimanos	9	9
Jennifer Leete*	0	0
Andrew Kearnan	12	12
Andrew McCready	17	17
Michael O'Neill	17	17
Melissa Reynolds	12	12
Total Board of Directors meetings:		**17**

A Number of meetings attended.
B Number of meetings entitled to attend.
** Resigned 3 July 2020*
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		Nominations		Risk & Compliance	
	A	B	A	B	A	B	A	B
Maree O'Halloran	-	-	4	4	2	2	5	5
Tyrone Carlin	2	2	-	-	-	-	2	2
Murat Dizdar	-	-	-	-	-	-	-	-
Verity Firth	-	-	-	-	-	-	-	-
William Ford	-	-	4	4	-	-	5	5
Linda Green	4	4	4	4	4	4	--	-
Andrew Kearnan	3	3	-	-	-	-	-	-
John Kouimanos	2	2	-	-	-	-	-	-
Jennifer Leete	-	-	-	-	-	-	-	-
Andrew McCready	4	4	-	-	1	1	3	3
Michael O'Neill	2	2	4	4	4	4	5	5
Melissa Reynolds	-	-	2	2	-	-	4	4
Total Meetings	-	**4**	-	**4**	-	**4**	-	**5**

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.
Note: Standing invitations are issued to Directors that they may attend other committee meetings at any time.

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 $28.1 million (2020: $25.7 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.

The subsidiary's operations from its activities of providing travel services continued to incur losses and faced difficult trading challenges with domestic and international travel restrictions in place. In light of long term profitability trends in the travel industry and the current climate of ongoing pressure that the pandemic has created, the Directors made the decision for Tertiary Travel Pty Ltd to cease trading on 31 March 2021. A skeleton staff remains to support outstanding travel arrangements and manage refunds from airlines and wholesalers back to customers as bookings are cancelled due to travel restrictions caused by COVID-19. Both travel subsidiaries are being managed towards wind-up. Expected losses of Tertiary Travel have been provided for in the parent's accounts.

On 1 May 2021 Firefighters Credit Cooperative Limited (FCCL) merged into Teachers Mutual Bank Limited as part of the Firefighters Mutual Bank Division. At the time of merger, FCCL had $67 million in assets including $34 million in loans to Members, $63 million in liabilities including $62 million on deposit and $4 million in capital transferred to Teachers Mutual Bank Limited. No changes were made to the Board or Executive of Teachers Mutual Bank Limited as a result of the merger. All systems were converted to those of Teachers Mutual Bank Limited on 1 May 2021.

COVID-19 continued to have a significant health and economic impact on Australia and the world during the 2020/2021 financial year, although the latter half of the year did see significant improvements in the world and local economies. The economic outcomes were not as severe as expected and recovery was faster. Property prices generally increased, contrary to worries as at 30 June 2020. However, in June 2021, COVID-19 Delta became more prevalent, causing a series of lockdowns post 30 June 2021 around Australia, most notably many Local Government Areas in the Greater Sydney area are being impacted for significant periods.

The Bank continued to modify operations to protect staff, Members and customers and the communities in which we operate in line with health authority recommendations. This has included the majority of staff working from home for significant periods throughout the year, 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 were incurred. We have endeavoured to keep branch services open, however closures of some branches from time to time were necessary due to state government guidance, university campus closures and staffing availability. Special pandemic leave of two weeks has been provided to staff impacted by COVID-19, lock downs, home schooling, quarantine and vaccination appointments.

Our mobile bankers adapted by conducting loan interviews by Zoom. We reduced our physical presence at workplaces, university campuses, events and broker offices; accelerating our digital engagement initiatives to ensure brand and product awareness. Whilst many organisations significantly slowed or stopped their project development, the Bank was able to scale up, to both respond to immediate needs to operate effectively in the COVID-19 environment, and in accelerating its data lead digital transformation, including preparation of a new digital bank supported by a new IT ecosystem, which is currently in live testing, to be launched early in the next financial year.

Members reduced spending on retail, entertainment, dining and holidays (especially overseas) , which continued to impact our Visa commissions. Retail deposits increased by over 18%, placing pressure on margin, profitability and utilising our capital. We have successfully attracted a 19% growth in loans to utilise this funding and minimise these impacts.

The Bank continued receiving JobKeeper payments up until September 2020, and these payments totalled $6.25 million in the 2020/21 financial year.

As recommended by the various regulators, we offered Repayment Pauses or assisted with hardship packages to borrowers in difficulty. Most Repayment Pause assistance lapsed in March 2021, with the vast majority of borrowers returning to regular repayments. Whilst we expect others to resume work or find alternative employment, we will continue to work with borrowers to plan for alternative arrangements in meeting their obligations. Consistent with this additional assistance, Bad Debts written off was down 47% from the previous year and actually less than recoveries, and we have seen an increase in Home Loans 30+ days in arrears growing from 0.63% to 0.74% of average Home Loan balances year on year. Unsecured loans 30+ days in arrears has decreased from 2.42% to 1.54% year on year.

Towards the end of the year, having noted the stability of the Australian financial markets and the recovery of the Australian economy, the Bank began easing its liquidity measures, initially increasing its liquidity holdings and expanding its securitisation program. During the 2020/2021 financial year, the RBA increased funds available through a 3-year term funding facility to the whole banking sector (including the Bank) to strengthen system liquidity. The Bank drew down the whole $325 million entitlement. The RBA also responded by making further reductions to the overnight cash rate target to a record low of 0.10% and is expected to stay at these levels for the next couple of years. This puts further pressure on the Bank's interest margin over this period, as does the increased holdings of liquidity driven by increasing savings by depositors.

Significant changes in state of affairs

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

In January 2021, Teachers Mutual Bank Limited entered into an MOU with Pulse Credit Union Limited. Subsequently, both boards have completed due diligence, and agreed to a merger and APRA has provided initial approval. Subject to the vote of Pulse Members and final regulatory approvals, the Members of Pulse will join either the existing UniBank or Health Professionals Bank divisions of Teachers Mutual Bank Limited. Pulse Credit Union has approximately 6,000 Members and $122 million in assets. No changes are expected to be made to the Board or Executive of Teachers Mutual Bank Limited as a result of the merger. The merger and the conversion of all systems to those of Teachers Mutual Bank Limited are expected to occur in early November 2021.

Teachers Mutual Bank Limited intends to participate in the Australian Government's The Family Home Guarantee and The New Home Guarantee Schemes whilst continuing our participation in First Home Loan Deposit Scheme, supporting Members with lower incomes or who are single parents into housing with low deposits.

The Bank, post 30 June 2021, has again made available Repayment Pauses on Home Loans, by application, for Members who have had their income impacted by the current ongoing lockdowns occurring within Australia. These deferrals are subject to concessional treatment by APRA. Hardship arrangements are also available for those Members with personal loans and credit cards.

To recognise the future impacts of COVID-19 especially the emerging Delta strain post 30 June 2021, we have applied a management overlay of $3.7 million to credit provisions above the levels predicted by our historical models. Given the greater certainty surrounding collateral values for home loans by the end of the year, this year's provisions are weighted more heavily to the unsecured portfolio. Loan provisions now stand at $5.9 million (2020: $6.6 million).

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 https://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 Chairperson	Andrew Kearnan Director and Chair of the Audit Committee

Signed and dated 2 September 2021.

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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 2 September 2021

Financial statements and notes

Notes to the financial statements

TEACHERS MUTUAL BANK LIMITED

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Email: enquiry@tmbank.com.au | **Address:** 28-38 Powell Street Homebush NSW 2140 | **PO Box:** PO Box 7501 Silverwater NSW 2128 | **ABN:** 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981 | **Auditors:** Grant Thornton Audit Pty Ltd, Level 17, 383 Kent Street Sydney NSW 2000

Statement of comprehensive income

For the financial year ended 30 June 2021

	Note(s)	2021 $'000		2020 $'000	
		Consolidated	Parent	Consolidated	Parent
Interest revenue	2a	217,912	217,912	260,920	260,920
Interest expense	2c	(65,297)	(65,297)	(110,634)	(110,636)
Net interest revenue		**152,615**	**152,615**	**150,286**	**150,284**
Fees, commission and other income	2b	24,732	25,466	27,579	23,140
Total revenue		**177,347**	**178,081**	**177,865**	**173,424**
Less: Non-interest expenses					
- Impairment losses on loans and advances	2d	(897)	(897)	(3,696)	(3,696)
General administration	2e				
- Employees, compensation and benefits		(82,488)	(81,693)	(78,648)	(77,886)
- Depreciation and amortisation		(5,630)	(5,630)	(6,468)	(6,468)
- Auditor's remuneration		(238)	(227)	(251)	(241)
- Transaction expenses		(15,132)	(15,132)	(15,121)	(15,121)
- Information technology		(15,214)	(15,209)	(12,941)	(12,928)
- Office occupancy		(3,412)	(3,412)	(3,904)	(3,904)
- Research, marketing, sponsorship and events		(6,226)	(6,226)	(6,216)	(6,214)
- Professional fees		(2,523)	(2,523)	(1,858)	(1,858)
- Travel cost of sales		916	-	(3,962)	-
- Other administration		(6,217)	(6,738)	(7,217)	(7,113)
Total general administration		**(136,164)**	**(136,790)**	**(136,586)**	**(131,733)**
Total non-interest expenses		**(137,061)**	**(137,687)**	**(140,282)**	**(135,429)**
Profit before income tax		**40,286**	**40,394**	**37,583**	**37,995**
Income tax expense	3	(12,152)	(12,320)	(11,885)	(11,998)
Profit after income tax		**28,134**	**28,074**	**25,698**	**25,997**
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss					
- Net movement on cash flow hedge	25	661	661	919	919
Items that will not be reclassified subsequently to profit and loss					
- Changes in fair value of financial assets held at fair value through Other Comprehensive Income (FVOCI) *(net of tax)*	26	4,327	4,327	-	-
Total comprehensive income		**33,122**	**33,062**	**26,617**	**26,916**

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

Statement of changes in Member equity

For the year ended 30 June 2021

	Capital reserve	FVOCI reserve	General reserve for credit losses	Cash flow hedge reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED						
Balance 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**
CONSOLIDATED						
Balance at 1 July 2020	835	-	18,804	(728)	556,931	575,842
Total comprehensive income for the year – as reported	-	4,327	-	661	28,134	33,122
Subtotal	835	4,327	18,804	(67)	585,065	608,964
Receipts from transfer of engagement	-	-	-	-	4,003	4,003
Transfers to (from) reserves	35	-	5,532	-	(5,567)	-
Total at 30 June 2021	**870**	**4,327**	**24,336**	**(67)**	**583,501**	**612,967**

	Capital reserve	FVOCI reserve	General reserve for credit losses	Cash flow hedge reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000
PARENT						
Balance 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**
PARENT						
Balance at 1 July 2020	835	-	18,804	(728)	556,554	575,465
Total comprehensive income for the year – as reported	-	4,327	-	661	28,074	33,062
Subtotal	835	4,327	18,804	(67)	584,628	608,527
Receipts from transfer of engagement	-	-	-	-	4,003	4,003
Transfers to (from) reserves	35	-	5,532	-	(5,567)	-
Total at 30 June 2021	**870**	**4,327**	**24,336**	**(67)**	**583,064**	**612,530**

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

Statement of financial position

As at 30 June 2021

	Note(s)	2021 $'000		2020 $'000	
		Consolidated	Parent	Consolidated	Parent
ASSETS					
Cash on hand and deposits at call		215,668	215,667	88,156	88,155
Receivables from financial institutions	4	1,555,530	1,555,530	1,353,345	1,353,345
Derivative assets held for hedging purposes	5	82	82	564	564
Receivables	6	12,413	13,225	13,690	13,551
Prepayments		6,154	6,154	4,810	4,810
Loans and advances to Members	7 & 8	7,903,547	7,903,547	6,620,270	6,620,270
Assets at fair value through other comprehensive income (FVOCI)	9	11,463	11,462	5,146	5,145
Investments in controlled entities	10	-	47	-	147
Property, plant and equipment	11	35,950	35,950	36,163	36,163
Right-of-use assets	14	3,311	3,311	4,227	4,227
Taxation assets	12	11,901	11,706	11,661	11,529
Intangible assets	13	1,593	1,593	2,619	2,619
Total assets		**9,757,612**	**9,758,274**	**8,140,651**	**8,140,525**
LIABILITIES					
Wholesale sector funding	16	603,356	603,356	617,508	617,508
Retail deposits	17	8,129,034	8,129,612	6,862,679	6,863,284
Derivative liabilities	5	158	158	1,674	1,674
Creditors, accruals and settlement accounts	18	17,541	17,765	13,194	12,982
Taxation liabilities	19	365	364	2,830	2,829
Provisions	20	44,184	44,482	42,664	42,523
Deferred tax liabilities	21	1,854	1,854	-	-
Borrowings	15	324,715	324,715	-	-
Lease liabilities	14	3,401	3,401	4,225	4,225
Subordinated debt	22	20,037	20,037	20,035	20,035
Total liabilities		**9,144,645**	**9,145,744**	**7,564,809**	**7,565,060**
Net assets		**612,967**	**612,530**	**575,842**	**575,465**
MEMBERS' EQUITY					
Capital reserve account	23	870	870	835	835
General reserve for credit losses	24	24,336	24,336	18,804	18,804
Cash flow hedge reserve	25	(67)	(67)	(728)	(728)
FVOCI reserve	26	4,327	4,327	-	-
Retained earnings		583,501	583,064	556,931	556,554
Total Members' equity		**612,967**	**612,530**	**575,842**	**575,465**

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

Statement of cash flows

For the year ended 30 June 2021

	Note(s)	2021 $'000		2020 $'000	
		Consolidated	Parent	Consolidated	Parent
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		217,630	217,238	263,332	263,331
Fees and commissions		16,554	16,554	13,164	13,164
Dividends received		131	131	566	566
Other non-interest income received		8,672	7,909	11,282	6,835
Interest paid on deposits		(72,520)	(72,498)	(122,068)	(122,070)
Borrowing costs		(311)	(311)	(20)	(20)
Subordinated debt interest		(569)	(569)	(758)	(758)
Expenses paid to suppliers and staff		(135,949)	(135,483)	(128,449)	(123,618)
Income tax paid		(12,491)	(12,491)	(13,392)	(13,389)
Net increase in loans and advances to Members		(1,247,039)	(1,247,039)	(120,482)	(120,482)
Net increase in retail deposits		1,213,923	1,214,589	284,404	284,018
Net cash flows from / (used in) operating activities	**38b**	**(11,969)**	**(11,970)**	**187,579**	**187,577**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(3,628)	(3,628)	(4,280)	(4,280)
Acquisition of intangible assets		(52)	(52)	(338)	(338)
Sale of property, plant and equipment		128	128	113	113
Sale of other investments		20	20	-	-
Acquisition of other investments		-	-	(1)	-
(Increase) decrease in deposits with other financial institutions		(172,289)	(172,288)	(101,586)	(101,586)
Net cash received on transfer of engagement		2,432	2,432	-	-
Net cash flows from/ (used in) investing activities		**(173,389)**	**(173,388)**	**(106,092)**	**(106,091)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		(11,130)	(11,130)	(214,492)	(214,492)
Increase in borrowings		324,715	324,715	-	-
Lease payments		(715)	(715)	(558)	(558)
Net cash flows from / (used in) financing activities		**312,870**	**312,870**	**(215,050)**	**(215,050)**
CASH HELD					
Net increase (decrease) in cash held		127,512	127,512	(133,563)	(133,564)
Add opening cash brought forward		88,156	88,155	221,719	221,719
Closing cash carried forward	**38a**	**215,668**	**215,667**	**88,156**	**88,155**

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

Notes to the financial statements

As at 30 June 2021

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 2021. The consolidated financial statements for the year ended 30 June 2021 were authorised for issue on 2 September 2021, in accordance with a resolution of the Board of Directors.

b. Basis of measurement

The financial statements have been prepared on an accruals basis, and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The accounting policies are consistent with the prior year unless otherwise stated.

c. Changes in significant accounting policies

New standards and interpretations applicable for the current year

AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions

AASB 2020-4 provides a practical expedient to simplify the accounting for rent concessions (including rent deferrals) received directly related to the outbreak of COVID-19. The Group received rent related concessions amounting to $12,848 during the financial year which did not have a material impact on the financial report at the date of the adoption.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

AASB 2019-3 provides relief from the impact on hedge accounting which may occur as a result of inter-bank offered rate (IBOR) reform. There was no significant effect from the adoption of AASB 2019-3 in relation to accounting for hedges.

Software-as-a-Service (SaaS) arrangements

During the financial year, the Group revised its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements with cloud providers. The change in accounting policy resulted from the implementation of agenda decisions issued by the IFRS Interpretations Committee (IFRIC) clarifying its interpretation of how current accounting standards apply to these types of arrangements.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

The change has not had a material impact on the financial statements.

The new accounting policy is presented in Note 1j.

d. Basis of Consolidation

The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2021. The 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 (FVPL), 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;
- FVPL; and
- 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:

- he 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 business model other than 'hold to collect' or 'hold to collect and sell' are categorised as FVPL. Further, irrespective of the 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. Dividend 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 attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan using the effective interest rate method, less impairment losses;
- 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 assets - based on the net present value of the expected future trail commission expenses. An equivalent broker trail provision is held within Provisions.

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.

Interest earned

Term loans – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a Member's 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 Member's 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 Member's 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 Member's 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 (2020: 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 and medium-term notes.

RBA Term Funding Facility borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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 the 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

Provision for impairment of loans and advances reflects Expected Credit Losses (ECL) measured using the three-stage approach prescribed under AASB 9 Financial Instruments. AASB 9's impairment requirements use more forward-looking information to recognise ECL.

The Group considers a broader range of information when assessing credit risk and measuring ECL, 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.

Measurement of ECL

For Stage 1, 12-month ECL are recognised while for Stage 2 and 3 lifetime ECL are recognised. Measurement of the ECL 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 27 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.

Modifications

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery. Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset (refer Note 8). The Group monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held at 30 June 2021 was $36,165,279

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 31. Movements in the hedging reserve are provided at Note 25.

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 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

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described below. The following useful lives are applied:

- Internally developed software: 2.5 to 4 years;
- Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing;
- Amortisation has been included within depreciation, amortisation and impairment of non-financial assets;
- Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software are recognised as operating expenses when the services are received. Costs incurred for the development of software code that creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset are recognised as intangible software assets.

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 the 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;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the Group's assessment of whether it will exercise a purchase, extension or termination option; or
- if 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 leases 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.

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 it is within the control of the Group.

During the current financial year, the effect of revising lease terms (to reflect the exercising of extension and termination options) was a decrease of $208,453 in the recognised lease liabilities and right-of-use assets (2020: $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 and 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.

In a combination of mutual entities where only equity interests are transferred, the acquirer uses the acquisition-date-fair-value of the acquiree's equity interests in place of the acquisition-date-fair-value of the consideration transferred. As a result, no goodwill is recognised in the acquisition of a mutual entity.

Instead, all assets and liabilities are transferred to the receiving body and the net assets are added as a direct addition to the equity in its statement of financial position using the contributed equity account.

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.

The EdSec Funding Trust collection and liquidity reserve accounts held with the NAB hold collections and reserves for the operations of the EdSec Funding Trust No.1 Repo Series No.1. As such, these accounts are restricted access only to the Trustee for those reasons outlined in the Master Documents of the Trust.

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.

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined, and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, the 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. 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 ECL;

- » 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.

- Determination of lease term – Note 14. In the prior year, the lease term was revised following the adoption of AASB 16 effective 1 July 2019.
- Determination of SaaS arrangements costs – implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

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

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
INTEREST REVENUE				
Cash - deposits at call	738	738	1,257	1,257
Receivables from financial institution deposits	8,955	8,955	20,640	20,640
Loans and advances to Members	206,816	206,816	236,781	236,781
Derivatives interest income	1,381	1,381	2,242	2,242
Other	22	22	-	-
Total interest revenue	**217,912**	**217,912**	**260,920**	**260,920**

b. Non-interest revenue

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
FEE AND COMMISSION REVENUE				
Loan fee income - other than loan origination fees	4,304	4,304	3,526	3,526
Other fee income	1,617	1,617	1,526	1,526
Insurance commissions	3,540	3,540	3,325	3,325
Other commissions	5,227	5,227	6,163	6,163
Total fee and commission revenue	**14,688**	**14,688**	**14,540**	**14,540**

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
OTHER INCOME				
Dividends received	131	131	566	566
Bad debts recovered	1,109	1,109	1,068	1,068
Gain on disposal of assets:				
- Property, plant and equipment	132	132	113	113
- Investments	8	8	12	12
Transfers from provisions:				
- Reversal of impairment losses on loans and advances	698	698	-	-
- Long Service Leave	800	800	-	-
- Director development	-	-	8	8
Travel income from sales	(734)	-	4,439	-
JobKeeper payment	6,252	6,252	5,361	5,361
Miscellaneous revenue	1,648	1,648	1,472	1,472
Total non-interest income	**24,732**	**25,466**	**27,579**	**23,140**

c. Interest expenses

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
INTEREST EXPENSE				
Overdraft	25	25	20	20
Short-term borrowing	24	24	-	-
Wholesale sector funding	4,534	4,534	11,439	11,439
Wholesale deposits	219	219	1,681	1,681
RBA repo term funding facility	422	422	-	-
Retail deposits	57,403	57,403	92,612	92,614
Derivatives interest expense	1,734	1,734	4,021	4,021
Subordinated debt interest expense	571	571	738	738
Other	365	365	123	123
Total interest expenses	**65,297**	**65,297**	**110,634**	**110,636**

d. Impairment losses

	2021 $'000		2020 $'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	897	897	1,690	1,690
Total impairment losses	**897**	**897**	**3,696**	**3,696**

e. Prescribed expenses

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
EMPLOYEE COSTS				
Personnel costs	75,769	75,015	69,685	68,988
Superannuation contributions	6,352	6,311	6,000	5,935
Net movement in provisions for employee annual leave	352	352	823	823
Net movement in provisions for employee long service leave	-	-	2,105	2,105
Net movement in provisions for employee sick leave	15	15	35	35
Total employee costs	**82,488**	**81,693**	**78,648**	**77,886**
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	898	898	863	863
Plant and equipment	2,667	2,667	2,774	2,774
Right-of-use assets	729	729	666	666
Leasehold improvements (including lease make good provisions)	173	173	226	226
Written-down value of assets disposed	85	85	101	101
Intangible assets - computer software	1,078	1,078	1,838	1,838
Total depreciation and amortisation expenses	**5,630**	**5,630**	**6,468**	**6,468**
AUDITOR'S REMUNERATION				
Audit and review of financial statements:				
- Audit services - Grant Thornton	206	195	227	217
Other services:				
- Compliance	26	26	19	19
- Other	6	6	5	5
Total auditor's remuneration	**238**	**227**	**251**	**241**

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER OPERATING EXPENSES				
Transaction expenses	15,132	15,132	15,121	15,121
Information technology	15,214	15,209	12,941	12,928
Office occupancy	3,412	3,412	3,904	3,904
Net movement in provisions for Director development	56	56	-	-
Net movement in provisions for subsidiary	453	453	-	-
Research, marketing, sponsorships and events	6,226	6,226	6,216	6,214
Professional fees	2,523	2,523	1,858	1,858
Travel cost of sales	(916)	-	3,962	-
Statement and postage costs	1,155	1,155	1,849	1,849
Other administration	4,553	5,074	5,368	5,264
Total other operating expenses	**47,808**	**49,240**	**51,219**	**47,138**
Total general administration	**136,164**	**136,790**	**136,586**	**131,733**

3. Income tax expense

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

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Current tax				
Current tax on profits for the year	11,987	11,987	12,827	12,826
Adjustments for current tax of prior periods	110	110	677	677
Total current tax expense	**12,097**	**12,097**	**13,504**	**13,503**
Deferred income tax				
Decrease (increase) in the deferred tax asset	55	223	(1,619)	(1,505)
Total deferred tax expense/(benefit)	**55**	**223**	**(1,619)**	**(1,505)**
Income tax expense	**12,152**	**12,320**	**11,885**	**11,998**

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

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit before income tax	**40,286**	**40,394**	**37,583**	**37,995**
Prima facie tax payable on profit before income tax at 30%	12,086	12,118	11,286	11,399
Add: tax effect of expenses not deductible	43	43	62	62
Less: tax effect of income not assessable	(137)	(1)	(1)	(1)
Subtotal	**11,992**	**12,160**	**11,347**	**11,460**
Add: Adjustments to recognise deferred tax assets	89	89	31	31
Previously unrecognised tax losses now recouped to reduce current tax charge	305	305	-	-
Under (over) provision of tax in prior years	(195)	(195)	677	677
Less: Franking rebate	(39)	(39)	(170)	(170)
Current income tax provision attributable to current year profit	**12,152**	**12,320**	**11,885**	**11,998**

c. Franking credits

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Franking credits held as at the end of the financial year after adjusting for franking credits that will arise from the payment of income tax payable	233,059	232,670	220,274	219,885

4. Receivables from financial institutions at amortised cost

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit	525,198	525,198	126,506	126,506
Term deposits	1,010	1,010	-	-
Floating rate notes	835,612	835,612	1,112,111	1,112,111
Bonds	58,211	58,211	-	-
Residential mortgage-backed securities	55,460	55,460	76,605	76,605
Other	80,039	80,039	38,123	38,123
Total receivables from financial institutions	**1,555,530**	**1,555,530**	**1,353,345**	**1,353,345**

Other receivables from financial institutions includes the EdSec Funding Trust Collection and Liquidity Reserve account held with NAB. These accounts, amounting to $80,039,466, hold collections and reserves for the operations of the EdSec Funding Trust No.1 Repo Series No.1. As such, these accounts are restricted to access only by the Trustee for those reasons outlined in the Master Documents of the Trust.

5. Derivative financial instruments at FVOCI

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

	2021 $'000		2020 $'000	
	Parent & Consolidated		Parent & Consolidated	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	82	158	564	1,674

Net movement on derivatives during the year

	2021 $'000	2020 $'000
	Parent & Consolidated	Parent & Consolidated
Recognised in interest income	374	(332)
Recognised to other comprehensive income	661	919
Total	**1,035**	**587**

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

	2021 $'000			2020 $'000		
	Parent & Consolidated			Parent & Consolidated		
	Pay fixed	Receive fixed	Notional amount	Pay fixed	Receive fixed	Notional amount
Within 1 year	16,000	-	16,000	50,400	-	50,400
>1 to 2 years	-	-	-	16,000	-	16,000
>2 to 3 years	-	-	-	-	-	-
>3 to 4 years	-	-	-	-	-	-
>4 to 5 years	-	-	-	-	-	-
>5 years	-	-	-	-	-	-
Total	**16,000**	**-**	**16,000**	**66,400**	**-**	**66,400**

Edsec Funding Trust No. 1 (see Note 37) entered into a fixed-for-floating swap of $1.4 billion with a third party on 14 December 2020 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

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Interest receivable on deposits with other financial institutions	3,168	3,168	1,882	1,882
Sundry debtors and settlement accounts	9,245	10,057	11,808	11,669
Total receivables	**12,413**	**13,225**	**13,690**	**13,551**

7. Loans and advances to Members at amortised cost

a. Amount due

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Overdrafts and credit cards	71,190	71,190	73,547	73,547
Term loans	7,802,360	7,802,360	6,523,827	6,523,827
Overdrawn savings	122	122	89	89
Subtotal	**7,873,672**	**7,873,672**	**6,597,463**	**6,597,463**
Add: Amortised loan origination transaction costs and broker commission, net of fees	35,739	35,739	29,369	29,369
Subtotal	**7,909,411**	**7,909,411**	**6,626,832**	**6,626,832**
Less: Provision for impaired loans as detailed in Note 8	(5,864)	(5,864)	(6,562)	(6,562)
Total loans and advances to Members	**7,903,547**	**7,903,547**	**6,620,270**	**6,620,270**

b. Credit quality - security held against loans

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Secured by mortgage over business assets	194	194	3	3
Secured by mortgage over real estate	7,733,757	7,733,757	6,449,275	6,449,275
Partly secured by goods mortgage	10,478	10,478	9,260	9,260
Wholly unsecured	129,243	129,243	138,925	138,925
Total	**7,873,672**	**7,873,672**	**6,597,463**	**6,597,463**

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:

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:				
- Loan to valuation ratio of less than 80%	5,794,583	5,794,583	4,852,446	4,852,446
- Loan to valuation ratio of more than 80% but mortgage insured	1,540,006	1,540,006	1,451,908	1,451,908
- Loan to valuation ratio of more than 80% with First Home Loan Deposit Scheme guarantee	275,932	275,932	-	-
- Loan to valuation ratio of more than 80%, not mortgage insured and no First Home Loan Deposit Scheme guarantee	123,236	123,236	144,921	144,921
Total	**7,733,757**	**7,733,757**	**6,449,275**	**6,449,275**

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 32.

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:	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
NSW Department of Education	1,504,599	1,504,599	1,497,541	1,497,541
Aware Super	140,566	140,566	156,358	156,358
WA Department of Education	123,341	123,341	116,784	116,784
ACT Department of Treasury	120,700	120,700	112,413	112,413
Catholic Education Office	78,038	78,038	77,121	77,121
QLD Department of Education	76,928	76,928	64,884	64,884
Teachers Mutual Bank Limited employees	71,388	71,388	58,386	58,386

NUMBER OF MEMBERSHIPS WITH LOANS THAT ARE RECEIVING PAYMENTS FROM:	2021 Number		2020 Number	
	Consolidated	Parent	Consolidated	Parent
NSW Department of Education	10,133	10,133	10,500	10,500
Aware Super	3,634	3,634	3,675	3,675
WA Department of Education	505	505	511	511
ACT Department of Treasury	527	527	518	518
Catholic Education Office	360	360	386	386
QLD Department of Education	336	336	304	304
Teachers Mutual Bank Limited employees	311	311	326	326

iii. Geographical concentrations including loan balances and loan financial commitments in Notes 32a, 32b and 32c.

	2021 $'000 Parent & Consolidated				2020 $'000 Parent & Consolidated			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	5,115,385	409,170	33	5,524,588	4,582,901	427,744	33	5,010,678
Victoria	919,312	22,374	108	941,794	558,423	12,487	1	570,911
Queensland	886,066	21,070	-	907,136	659,453	20,033	-	679,486
Western Australia	792,189	28,946	637	821,772	700,206	30,412	670	731,288
Australian Capital Territory	428,771	15,235	-	444,006	375,569	15,419	-	390,988
South Australia	89,803	1,979	-	91,782	63,557	2,092	-	65,649
Tasmania	67,154	1,936	-	69,090	55,536	1,821	-	57,357
Northern Territory	25,573	1,882	-	27,455	24,162	2,002	-	26,164
Other	116	5,460	-	5,576	55	5,495	-	5,550
Total	**8,324,369**	**508,052**	**778**	**8,833,199**	**7,019,862**	**517,505**	**704**	**7,538,071**

d. Securitised loans

Non-derecognised securitised loans.

	2021 $'000	2020 $'000
	Parent & Consolidated	Parent & Consolidated
EdSec Funding Trust No. 1	2,034,342	908,522

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.

	2021 $'000			2020 $'000		
By security	**Parent & Consolidated**			**Parent & Consolidated**		
LOANS AND ADVANCES TO MEMBERS	**Gross carrying value**	**ECL allowance**	**Carrying value**	**Gross carrying value**	**ECL allowance**	**Carrying value**
Housing	7,732,796	(2,279)	7,730,517	6,449,081	(3,818)	6,445,263
Personal	71,627	(2,310)	69,317	76,963	(1,794)	75,169
Credit card	53,726	(981)	52,745	55,012	(672)	54,340
RediCredit	14,287	(294)	13,993	15,791	(278)	15,513
Total – households	**7,872,436**	**(5,864)**	**7,866,572**	**6,596,847**	**(6,562)**	**6,590,285**
Business	1,236	-	1,236	616	-	616
Total	**7,873,672**	**(5,864)**	**7,867,808**	**6,597,463**	**(6,562)**	**6,590,901**

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.

	2021 $'000				
By security	**Parent & Consolidated**				
LOANS AND ADVANCES TO MEMBERS	**Stage 1 12 month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Purchased credit impaired**	**Total**
Housing	1,861	60	358	-	2,279
Personal	1,600	152	558	-	2,310
Credit card	671	117	193	-	981
RediCredit	157	116	21	-	294
Business	-	-	-	-	-
Loss allowance	4,289	445	1,130	-	5,864
Carrying amount	4,289	445	1,130	-	5,864

	2020 $'000				
By security	**Parent & Consolidated**				
LOANS AND ADVANCES TO MEMBERS	**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

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.

	Parent & Consolidated				
LOANS AND ADVANCES TO MEMBERS	**Stage 1 12 month ECL**	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Purchased credit impaired**	**Total**
Balance at 1 July 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
- Net movement due to change in credit risk	3,719	(1,851)	(2,412)	-	(544)
- Changes in models/risk parameters	(131)	(108)	85	-	(154)
Balance at 30 June 2021	4,289	445	1,130	-	5,864

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 over a five-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.

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 becomes 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.

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 days past due; and
- Stage 3 – 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.

Incorporation of forward-looking information

The approach to determining the 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).

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 any effects that the pandemic may have on borrowers, repayment abilities 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 ongoing impact of the pandemic on the economy, ECL may ultimately vary from what has been determined, despite the best efforts of the Group.

Included within Provisions for Impairment is a $3.7 million overlay in recognition for the expected impact of COVID-19 on the collective provision as at 30 June 2021. This overlay is consistent with the outcomes from the base case scenario modelling that was performed by the Consolidated Entity in response to APRA's Financial Services Industry preparedness review over the COVID-19 outbreak. The base case scenario was modelled based on the facts and circumstances existing at 30 June 2021 and forecasts of future economic conditions and supportable information that was available at that date and includes significant management judgement.

Forward-looking economic assumptions in the model included an extended lockdown period, with commensurate detrimental economic affects. Credit deterioration in the retail lending portfolio was modelled assuming higher PD and LGD estimates. The impact on the retail lending portfolio was modelled based on an increase in under-employment and potential loss of income for 30% of the borrowers.

Adjustments for forward-looking information

EXPECTED CREDIT LOSSES	2021 $'000 Historical LGDs and PDs	Adjustment for forward-looking information	Total
Housing	(460)	(1,819)	(2,279)
Personal	(1,102)	(1,208)	(2,310)
Credit card	(397)	(584)	(981)
RediCredit	(157)	(137)	(294)
Total-households	**(2,116)**	**(3,748)**	**(5,864)**

EXPECTED CREDIT LOSSES	2020 $'000 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)**

9. Shares in unlisted companies at FVOCI

	2021 $'000		2020 $'000	
SHARES IN UNLISTED COMPANIES	Consolidated	Parent	Consolidated	Parent
Cuscal Limited (Cuscal)	11,433	11,433	5,145	5,145
TransAction Solutions Limited (TAS)	29	29	-	-
Travellers Choice Limited	1	-	1	-
Total	**11,463**	**11,462**	**5,146**	**5,145**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

Cuscal is an authorised deposit-taking institution (ADI) that supplies settlement, transaction processing, card, interchange and other services to organisations including mutual banks, credit unions and building societies. The shares are able to be traded but within a market limited to other mutual ADIs.

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily. Management has determined that the adjusted net tangible asset value of $1.30 per share is a reasonable approximation of fair value based on the likely value available on a sale.

The Group does not intend to dispose of these shares.

TransAction Solutions Limited (TAS)

TAS shares were acquired from the FCCL merger on 1 May 2021. The shares were offered for sale to the market and sold subsequent to year end. A fair value of $8.21 per share was realised.

Travellers Choice Limited

Tertiary Travel Service Pty Ltd became a full member of the Travellers Choice Group in September 2019, purchasing 500 shares at $2.00 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.

10. Investment in controlled entities

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
SHARES IN SUBSIDIARY				
Q.T. Travel Pty Ltd	-	47	-	47
Tertiary Travel Service Pty Ltd	-	100	-	100
Total value of investments	**-**	**147**	**-**	**147**
Less Provision for Tertiary Travel shares	-	(100)	-	-
Total Investment in controlled entities	-	**47**	**-**	**147**

This note should be read in conjunction with Note 35d 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 shares were fully impaired as at 30 June 2021.

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

	2021 Equity interest	2020 Equity interest	2021 $'000 Investment	2020 $'000 Investment
NAME OF ENTITY				
Q.T. Travel Pty Ltd	100%	100%	47	47
Tertiary Travel Service Pty Ltd	100%	100%	-	100

11. Property, plant and equipment

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
FIXED ASSETS				
Land, at cost	**10,040**	**10,040**	**10,040**	**10,040**
Buildings, at cost	36,124	36,124	34,600	34,600
Less: Provision for depreciation	(18,130)	(18,130)	(17,233)	(17,233)
Net building	**17,994**	**17,994**	**17,367**	**17,367**
Total land and buildings	**28,034**	**28,034**	**27,407**	**27,407**
Plant and equipment, at cost	36,036	35,951	35,825	35,740
Less: Provision for depreciation	(28,848)	(28,763)	(27,976)	(27,891)
Total plant and equipment	**7,188**	**7,188**	**7,849**	**7,849**
Capitalised leasehold improvements, at cost	1,357	1,357	1,823	1,823
Less: Provision for amortisation	(629)	(629)	(916)	(916)
Total capitalised leasehold improvements	**728**	**728**	**907**	**907**
Total property, plant and equipment	**35,950**	**35,950**	**36,163**	**36,163**

Movement in asset balances during the year

CONSOLIDATED	Land	Building	Plant & equipment	Leasehold improvement	Total
			2021 $'000		
Opening balance	10,040	17,367	7,849	907	36,163
Additions	-	1,525	2,089	14	3,628
Less: Assets disposed	-	-	(82)	(20)	(102)
Less: Depreciation charge	-	(898)	(2,668)	(173)	(3,739)
Closing balance	**10,040**	**17,994**	**7,188**	**728**	**35,950**
			2020 $'000		
Opening balance	10,040	17,282	8,185	312	35,819
Additions	-	947	2,540	821	4,308
Less: Assets disposed	-	-	(101)	-	(101)
Less: Depreciation charge	-	(862)	(2,775)	(226)	(3,863)
Closing balance	**10,040**	**17,367**	**7,849**	**907**	**36,163**

PARENT	Land	Building	Plant & equipment	Leasehold improvement	Total
			2021 $'000		
Opening balance	10,040	17,367	7,849	907	36,163
Additions	-	1,525	2,089	14	3,628
Less: Assets disposed	-	-	(82)	(20)	(102)
Less: Depreciation charge	-	(898)	(2,668)	(173)	(3,739)
Closing balance	**10,040**	**17,994**	**7,188**	**728**	**35,950**
			2020 $'000		
Opening balance	10,040	17,282	8,185	312	35,819
Additions	-	947	2,540	821	4,308
Less: Assets disposed	-	-	(101)	-	(101)
Less: Depreciation charge	-	(862)	(2,775)	(226)	(3,863)
Closing balance	**10,040**	**17,367**	**7,849**	**907**	**36,163**

12. Taxation assets

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
DEFERRED INCOME TAX ASSETS				
Accrued expenses not deductible until incurred	187	185	195	193
Provisions for impairment on loans	1,797	1,797	2,014	2,014
Provisions for employee benefits	6,879	6,876	7,066	7,050
Provisions for other liabilities	1,401	1,401	1,330	1,330
Depreciation on fixed assets	233	233	227	227
Tax losses	181	-	114	-
Amortisation of intangible assets	130	130	15	15
Prior year adjustment	4	-	-	-
Deferred tax assets	10,812	10,622	10,961	10,829
OTHER TAX ASSETS				
GST	620	615	348	348
Land tax	469	469	352	352
Total taxation assets	**11,901**	**11,706**	**11,661**	**11,529**

13. Intangible assets

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Computer software, at cost	21,683	21,683	21,631	21,631
Less: Provision for amortisation	(20,090)	(20,090)	(19,012)	(19,012)
Total intangible assets	**1,593**	**1,593**	**2,619**	**2,619**

Movement in balances during the year

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	2,619	2,619	4,119	4,119
Additions	52	52	338	338
Less: Amortisation charge	(1,078)	(1,078)	(1,838)	(1,838)
Less: Assets disposed	-	-	-	-
Closing balance	**1,593**	**1,593**	**2,619**	**2,619**

14. Leases

a. Amounts recognised in the balance sheet

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
RIGHT-OF-USE ASSET				
- Property	3,009	3,009	3,743	3,743
- Other	302	302	484	484
Closing balance	**3,311**	**3,311**	**4,227**	**4,227**
LEASE LIABILITIES				
- Current	644	644	625	625
- Non-current	2,757	2,757	3,600	3,600
Total lease liabilities	**3,401**	**3,401**	**4,225**	**4,225**

Additions to the right-of-use assets during the financial year were $10,000 (2020: $2,785,134).

	2021 $'000		
	Office Building	IT Equipment	Total
Opening balance	3,743	484	4,227
Additions	10	12	22
Less: Assets disposed	(209)	-	(209)
Less: Depreciation charge	(535)	(194)	(729)
Closing balance	**3,009**	**302**	**3,311**

	2020 $'000		
	Office Building	IT Equipment	Total
Opening balance	1,443	535	1,978
Additions	2,785	-	2,785
Reassessments	-	130	130
Less: Assets disposed	-	-	-
Less: Depreciation charge	(485)	(181)	(666)
Closing balance	**3,743**	**484**	**4,227**

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 the 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	5-8 years	-	4	-	2	-
Office equipment	1	2 years	2 years	-	-	-	-

Future minimum lease payments at 30 June 2021 were as follows:

	MINIMUM LEASE PAYMENTS DUE			
30 JUNE 2021	**Within 1 year**	**Between 2-5 years**	**After 5 years**	**Total**
Lease payments	(724)	(2,375)	(585)	(3,684)
Finance charges	81	180	22	283
Net present values	(643)	(2,195)	(563)	(3,401)

	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:

DEPRECIATION CHARGE OF RIGHT-OF-USE ASSET	2021 $'000	2020 $'000
Property	535	484
Other	194	182
Total	**729**	**666**

Interest expense (included in finance cost)	102	107
Expense relating to short-term leases (included in administrative expenses)	30	218
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in expenses)	66	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

The total cash outflow for leases in 2021 was $714,908 (2020: $558,079).

15. Borrowings

	2021 $'000		2020 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Term Funding Facility	324,715	324,715	-	-
Total borrowings	**324,715**	**324,715**	**-**	**-**

As at 30 June 2021, the Bank had fully drawn down $324,714,656 against the RBA Term Funding Facility. Class A notes of the Edsec Funding Trust No.1 to the value of $461.8 million have been pledged as collateral to secure the borrowing. The borrowing has a term of 3 years with an interest rate of 0.10% to 0.25% payable. The Bank can elect to repay the RBA at any time.

16. Wholesale sector funding at amortised cost

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit on issue	236,744	236,744	275,575	275,575
Floating rate notes on issue	356,610	356,610	300,999	300,999
Wholesale deposits	10,002	10,002	40,934	40,934
Total wholesale sector funding	**603,356**	**603,356**	**617,508**	**617,508**

17. Retail deposits at amortised cost

a. Retail deposits

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
At call	5,030,765	5,031,343	3,950,151	3,950,756
Term	3,096,061	3,096,061	2,910,421	2,910,421
Member withdrawable shares	2,208	2,208	2,107	2,107
Total retail deposits	**8,129,034**	**8,129,612**	**6,862,679**	**6,863,284**

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:	2021 $'000	2020 $'000
Aware Super	2,047,032	1,871,076
NSW Department of Education	803,152	685,566

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2021 No.	2020 No.
Aware Super	16,232	16,525
NSW Department of Education	23,929	24,390

iii) Geographical concentrations are as follows:

GEOGRAPHICAL CONCENTRATIONS	2021 $'000	2020 $'000
New South Wales	6,779,142	5,901,521
Western Australia	397,385	322,405
Queensland	244,529	175,410
Australian Capital Territory	209,846	172,098
Victoria	281,923	129,634
Other	131,204	99,588
South Australia	37,036	25,543
Tasmania	32,539	25,447
Northern Territory	13,800	9,531
Total	**8,127,404**	**6,861,177**

18. Creditors, accruals and settlement accounts

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Creditors and accruals	4,151	4,375	5,995	5,783
Interest payable on borrowings	422	422	-	-
Unearned income	1,045	1,045	1,310	1,310
Settlement accounts	11,923	11,923	5,889	5,889
Total creditors, accruals and settlement accounts	**17,541**	**17,765**	**13,194**	**12,982**

19. Taxation liabilities

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Current income tax liability	(37)	(37)	810	809
Other tax liabilities	402	401	2,020	2,020
Total taxation liabilities	**365**	**364**	**2,830**	**2,829**

CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance, previous year	810	809	698	695
Less: Paid	(467)	(467)	(1,375)	(1,372)
Over (under) statement in prior year	**343**	**342**	**(677)**	**(677)**

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Liability for income tax in current year	11,987	11,987	12,827	12,826
Less: Installments paid in current year	(12,024)	(12,024)	(12,017)	(12,017)
Current income tax liability	**(37)**	**(37)**	**810**	**809**

20. Provisions

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Employee entitlements	22,613	22,558	23,133	22,992
Lease make good of premises	443	443	498	498
Provision for broker trail commission	20,866	20,866	18,827	18,827
Provision for Tertiary Travel expenses	-	353	-	-
Director development	262	262	206	206
Total provisions	**44,184**	**44,482**	**42,664**	**42,523**

	2021 $'000		2020 $'000	
MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISION:	Consolidated	Parent	Consolidated	Parent
Opening balance	23,133	22,992	20,160	20,029
Less: Paid	(7,719)	(7,694)	(8,640)	(8,590)
Liability increase (decrease)	7,199	7,260	11,613	11,553
Closing balance	**22,613**	**22,558**	**23,133**	**22,992**

	2021 $'000		2020 $'000	
MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISION:	Consolidated	Parent	Consolidated	Parent
Opening balance	498	498	295	295
Less: Paid	(37)	(37)	(49)	(49)
Liability increase	(18)	(18)	252	252
Closing balance	**443**	**443**	**498**	**498**

	2021 $'000		2020 $'000	
MOVEMENT IN DIRECTOR DEVELOPMENT PROVISION:	Consolidated	Parent	Consolidated	Parent
Opening balance	206	206	214	214
Less: Paid	(20)	(20)	(8)	(8)
Liability increase	76	76	-	-
Closing balance	**262**	**262**	**206**	**206**

	2021 $'000		2020 $'000	
MOVEMENT IN BROKER TRAIL PROVISION:	Consolidated	Parent	Consolidated	Parent
Opening balance	18,827	18,827	18,699	18,699
Less: Paid	(5,624)	(5,624)	(4,684)	(4,684)
Liability increase	7,663	7,663	4,812	4,812
Closing balance	**20,866**	**20,866**	**18,827**	**18,827**

	2021 $'000		2020 $'000	
MOVEMENT IN TERTIARY TRAVEL EXPENSES PROVISION:	Consolidated	Parent	Consolidated	Parent
Opening balance	-	-	-	-
Less: Paid	-	-	-	-
Liability increase	-	353	-	-
Closing balance	**-**	**353**	**-**	**-**

Employee entitlements: The rates applied to give effect to the discount of cash flows were -0.005% to 2.275% (2020: 0.175% to 1.720%). The latest annual CPI rate available was used at March 2021: 2.0% (March 2020: 2.2%).
Lease make good: The rates applied to give effect to the discount of cash flows were: 0.010% to1.648% (2020: 0.052% to 1.368%).

21. Deferred tax liabilities

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
DEFERRED INCOME TAX LIABILITIES				
Assets held at FVOCI	1,854	1,854	-	-
Total deferred tax liabilities	**1,854**	**1,854**	**-**	**-**

22. Subordinated debt at amortised cost

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Subordinated debt	20,000	20,000	20,000	20,000
Accrued interest	37	37	35	35
Total subordinated debt	**20,037**	**20,037**	**20,035**	**20,035**

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.

23. Capital reserve

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	835	835	796	796
Transfer from retained earnings on share redemptions	35	35	39	39
Total capital reserve	**870**	**870**	**835**	**835**

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.

24. General reserve for credit losses

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	18,804	18,804	14,546	14,546
Increase (decrease) transfer from retained earnings	5,532	5,532	4,258	4,258
Total general reserve for credit losses	**24,336**	**24,336**	**18,804**	**18,804**

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.

25. Cash flow hedge reserve

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	(728)	(728)	(1,647)	(1,647)
Increase (decrease) transfer from retained earnings	661	661	919	919
Total cash flow hedge reserve	**(67)**	**(67)**	**(728)**	**(728)**

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.

26. FVOCI reserve

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	-	-	-	-
Financial assets FVOCI – unrealised gains/losses	6,181	6,181	-	-
Tax benefit/(expense)	(1,854)	(1,854)		
Total	**4,327**	**4,327**	**-**	**-**

Revaluation reserve

Cuscal shares were revalued on 30 June 2021 to a fair value of $1.30 per share. TAS shares were revalued at 30 June 2021 to a fair value of $8.21 per share.

27. 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 risk that the Group has exposure to include, but are not limited to:

- **Market risk**
  - Interest rate risk
  - Equity investments
  - Liquidity risk
- **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 an appropriate risk culture, monitoring and managing within the stated appetite, aligning policies and processes with 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-Financing Terrorism 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 material 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:

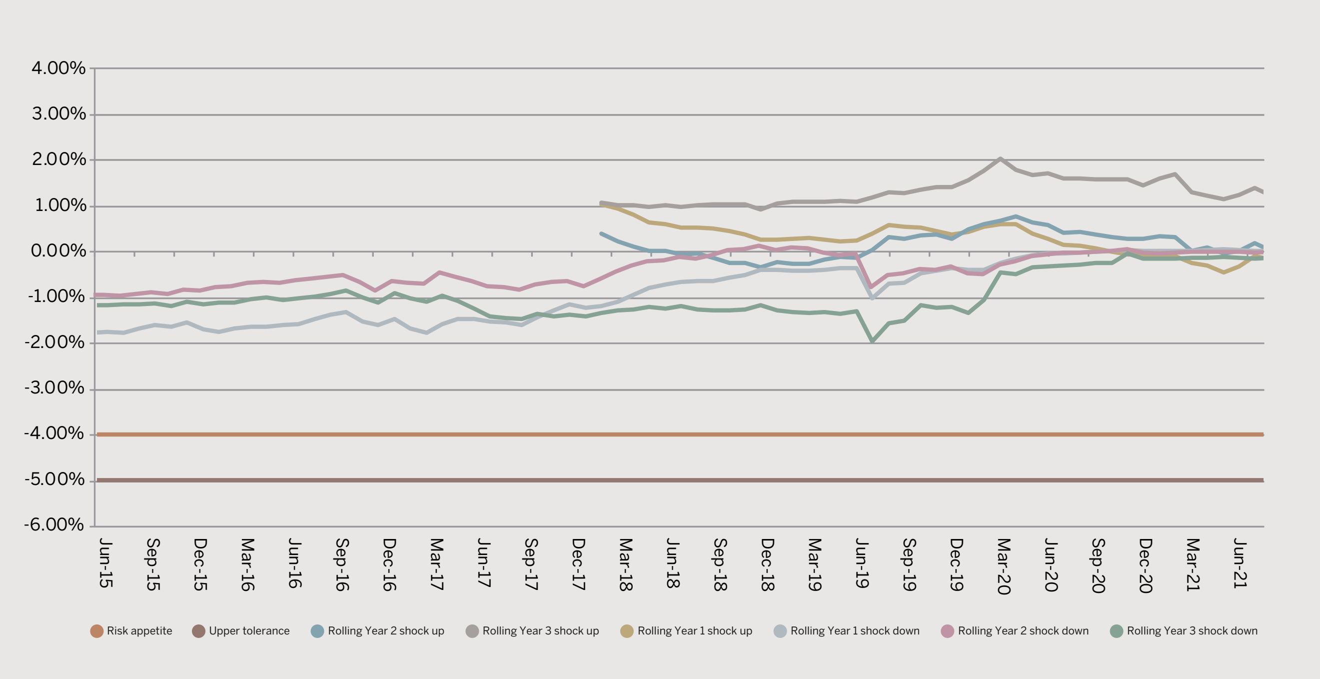
- Short, medium- and long-term forecasts that are regularly updated;
- Monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes; and
- Monthly earnings at risk simulations, including projections based on flat rates, yield curve, and upward and downward movements in rates to produce shocks.

Secondary:

- Monthly gap analysis;
- Monthly sensitivity analysis;
- Monthly value at risk analysis; and
- Annual benchmarking against the industry.

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

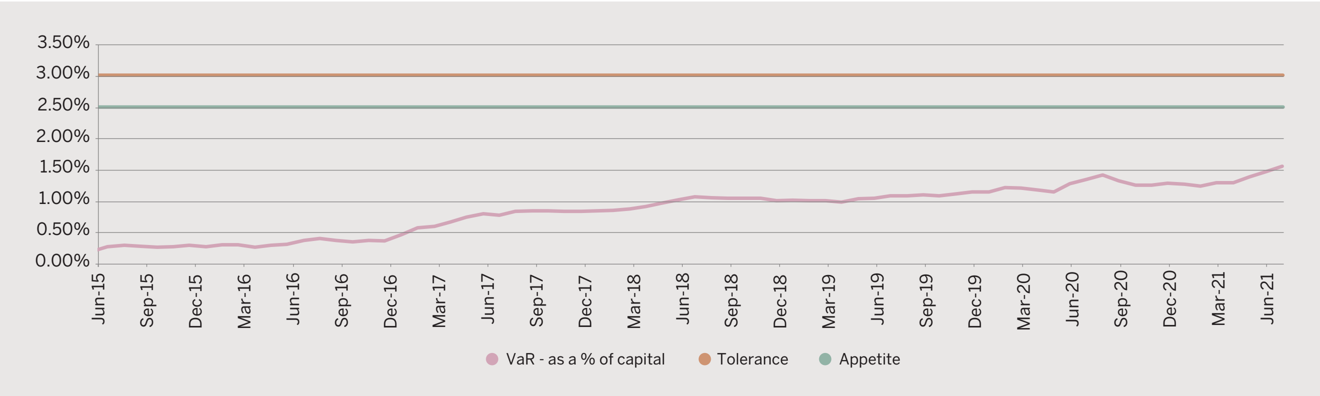
The Group uses a forecasting model to measure the impact of rate changes on future profitability. A 1% shock up and down to the market yield curve is modelled each month over a rolling 3-year period. A 0.00% RBA cash rate floor is applied. The results are shown in the graph opposite.



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 Group.



The above table represents a 99% confidence interval, 20-day holding period, and a 250-day observation period.

The Group combines cash flows into buckets based on the expected repricing periods. Consideration is given for 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 29. Note 30 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 29, 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 33 describes the borrowing facilities available as at the balance date. The Parent also maintains a self-securitisation capability. Note 37 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.

	2021	2020
As at 30 June	16.71%	18.64%
Average for the year	16.56%	17.98%
Minimum during the year	15.64%	15.94%
Total adjusted liabilities	**9,783,773,793**	**8,174,609,092**

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 32.

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.

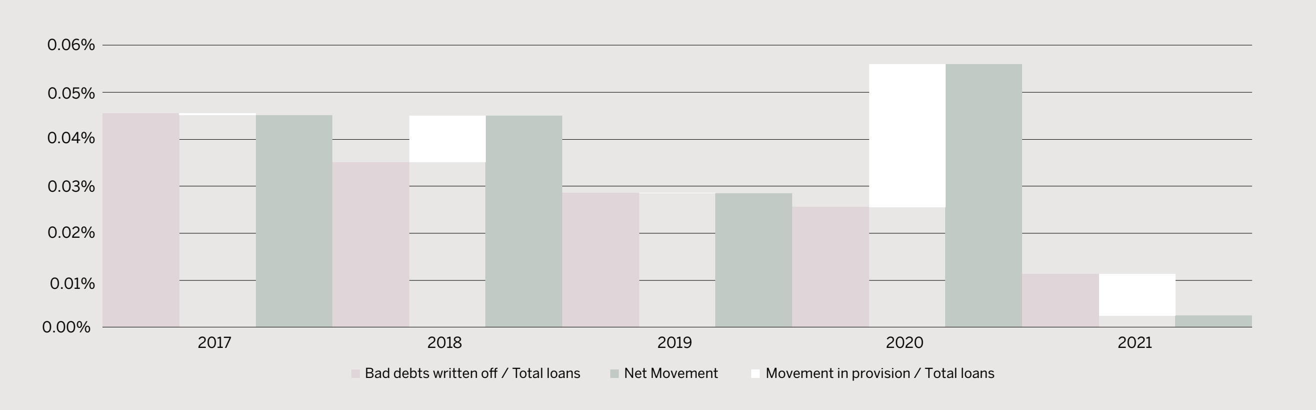
Concentrations are described in Note 7c. The Group has a concentration in personal lending to Members who are predominantly employees in the Australian education, emergency services or health sectors and their families. This concentration is considered acceptable on the basis that the Group's focus is 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 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 loan to value ratio (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



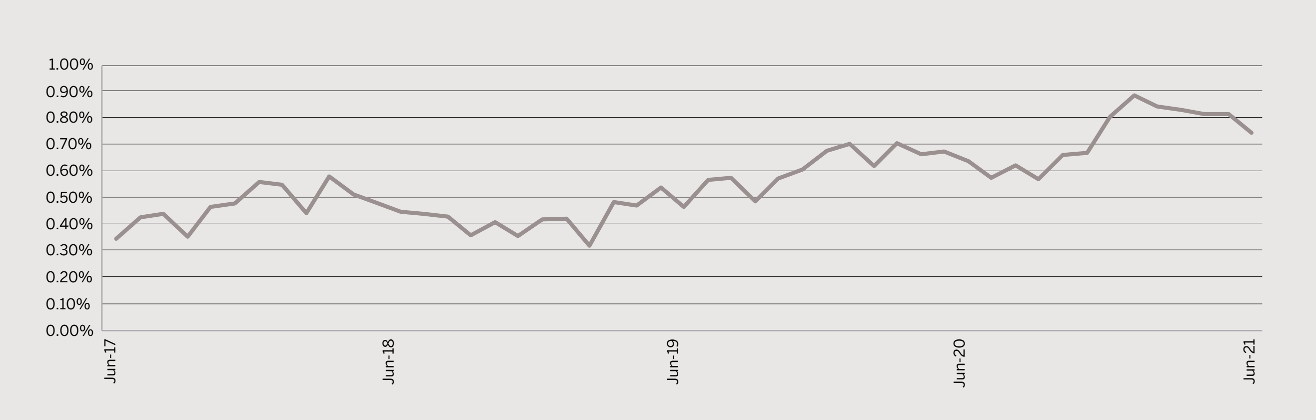
* Total provision from 2019 onwards is accounted for under AASB 9

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 counterparty, 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*:

2021				
Investments with:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs rated A-1+ to A-1 (short-term)	8	633,335,057	-	-
ADIs rated A-2 or P-2 (short-term)	17	292,905,045	-	-
ADIs rated A-3 or P-3 (short-term)	1	6,971,858	-	-
ADIs-rated AAA (long-term)	3	55,460,288	-	-
ADIs rated AA+ to AA- (long-term)	5	344,092,476	-	-
ADIs rated A to A- (long-term)	6	288,756,453	-	-
ADIs rated BBB+ to BBB or Baa1 (long-term)	8	148,625,796	-	-
Total		**1,770,146,973**	**-**	**-**

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**	**-**	**-**

*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.

Cyber risk

The Group has a cybersecurity framework based on National Institute of Standards and Technology (NIST), that will facilitate the preservation of information assets; confidentiality, integrity and availability. Information assets means information and information technology, including software, hardware and data (both soft and hard copy).

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.

2021			
ON-STATEMENT OF FINANCIAL POSITION EXPOSURES	**Carrying value**	**Risk weighting/ Credit risk mitigation**	**Risk-weighted amount**
Cash	1,050,371	0%	-
Deposits in semi-government	113,394,448	0%	-
Deposits in highly-rated ADIs	897,622,105	20%	179,524,421
Deposits in less highly-rated ADIs	703,670,132	50%	351,835,066
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	6,926,694,038	35%	2,424,342,913
Standard loans secured against eligible residential mortgages over 80% LVR	737,858,258	50%-75%	373,479,408
Other standard mortgage loans	43,067,186	100%	43,067,186
Non-standard mortgage loans	25,887,847	35%-100%	16,767,713
Deposits in other entities	55,460,288	20%	11,092,057
Other loans	138,838,617	0%-100%	138,736,214
Other assets	80,673,008	100%	80,673,008
Total	**9,724,216,298**		**3,619,517,986**

2021					
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	241,916,374	100%	241,916,374	35%-100%	96,706,663
Redraws available	414,805,463	50%	207,402,731	35%-100%	74,670,180
Guarantees	1,307,560	100%	1,307,560	100%	1,307,560
Unused revolving credit limits	302,802,022	0%	-	-	-
Possible contribution to CUFSS Limited	100,000,000	0%	-	-	-
Total	**1,060,831,419**		**450,626,665**		**172,684,403**

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	16,000,000	0.0%	-	-	-	-
Residual maturity > 1 year to 5 years	-	0.5%	-	-	-	-
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	**16,000,000**		**-**	**-**	**-**	**-**

Total weighted credit risk exposures	**3,792,202,389**

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-18	30-Jun-19	31-Dec-19	30-Jun-20	31-Dec-20	30-Jun-21
Total gross outstanding loans and advances for retail banking	6,454,352,881	6,475,311,996	6,466,758,492	6,598,367,072	7,277,544,789	7,873,556,889
- multiplied by 3.5% scaling factor	225,902,351	226,635,920	226,336,547	230,942,848	254,714,068	275,574,491
- multiplied by 12% risk factor	27,108,282	27,196,310	27,160,386	27,713,142	30,565,688	33,068,939
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**28,802,124**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	1,193,181,406	1,433,281,868	1,438,303,213	1,402,473,285	1,447,004,747	1,691,273,326
- multiplied by 3.5% scaling factor	41,761,349	50,164,865	50,340,612	49,086,565	50,645,166	59,194,566
- multiplied by 15% risk factor	6,264,202	7,524,730	7,551,092	7,362,985	7,596,775	8,879,185
Average of the 6 half-year results = Total operational risk capital requirement for commercial banking						**7,529,828**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR ALL OTHER ACTIVITY

Adjusted gross income	3,738,151	3,381,640	2,563,695	8,460,113	9,410,826	2,469,126
- multiplied by 18% risk factor	672,867	608,695	461,465	1,522,820	1,693,949	444,443

OPERATIONAL RISK CAPITAL REQUIREMENT FOR OTHER ACTIVITIES

Average of the 3 annual results = Total operational risk capital requirement for all other activity	**1,801,413**
Total operational risk capital requirement	**38,133,366**
Risk weighted asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**476,667,071**
Total credit and operational risk weighted	**4,268,869,460**

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.

Our policy requires a minimum capital ratio of 12.50% be maintained at all times, with reporting to the Board with an updated plan 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.

CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	2021	2020
Tier 1 Common equity	573,321,115	546,118,561
Less: Prescribed deductions	(21,868,919)	(18,739,249)
Tier 1 capital	**551,452,196**	**527,379,312**
Tier 2 Reserve for credit losses	28,874,024	24,229,171
Tier 2 Subordinated debt	20,000,000	20,000,000
Total Tier 2 capital	**48,874,024**	**44,229,171**
Total capital	**600,326,220**	**571,608,483**

THE CAPITAL RATIO AS AT THE END OF THE FINANCIAL YEAR OVER THE PAST 5 YEARS IS AS FOLLOWS:	2021	2020	2019	2018	2017
Tier 1 capital adequacy	12.92%	14.12%	13.86%	14.63%	14.67%
Tier 2 capital adequacy	1.14%	1.18%	0.95%	1.02%	0.42%
Total capital adequacy	**14.06%**	**15.30%**	**14.81%**	**15.65%**	**15.09%**

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 example risks 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

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 2.00% to 3.50% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risk identified above.

28. Categories of financial instruments

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

	Note(s)	2021 $'000		2020 $'000	
FINANCIAL ASSETS – CARRIED AT AMORTISED COST		**Consolidated**	**Parent**	**Consolidated**	**Parent**
Cash on hand and deposits at call		215,668	215,667	88,156	88,155
Receivables from financial institutions	4	1,555,530	1,555,530	1,353,345	1,353,345
Receivables	6	12,413	13,225	13,690	13,551
Loans and advances to Members	7 & 8	7,903,547	7,903,547	6,620,270	6,620,270
Total carried at amortised cost		**9,687,158**	**9,687,969**	**8,075,461**	**8,075,321**
Shares in unlisted companies - at FVOCI	9	11,463	11,462	5,146	5,145
Investments in controlled entities - carried at fair value	10	-	47	-	147
Cash flow hedge derivative assets - carried at fair value	5	82	82	564	564
Total financial assets		**9,698,703**	**9,699,560**	**8,081,171**	**8,081,177**
FINANCIAL LIABILITIES – CARRIED AT AMORTISED COST					
Wholesale sector funding	16	603,356	603,356	617,508	617,508
Subordinated debt	22	20,037	20,037	20,035	20,035
Retail deposits	17	8,129,034	8,129,612	6,862,679	6,863,284
Creditors, accruals and settlement accounts	18	17,541	17,764	13,194	12,982
Borrowings	15	324,715	324,715	-	-
Total carried at amortised cost		**9,094,683**	**9,095,484**	**7,513,416**	**7,513,809**
Cash flow hedge derivative liabilities - carried at fair value	5	158	158	1,674	1,674
Total financial liabilities		**9,094,841**	**9,095,642**	**7,515,090**	**7,515,483**

b. Assets measured at fair value

CONSOLIDATED	**2021 $'000**	**Level 1**	**Level 2**	**Level 3**
Shares in unlisted companies	11,463	-	-	11,463
Cash flow hedge derivatives	82	-	82	-
Total	**11,545**	**-**	**82**	**11,463**

PARENT	**2021 $'000**	**Level 1**	**Level 2**	**Level 3**
Shares in unlisted companies	11,462	-	-	11,462
Investments in controlled entities	47	-	-	47
Cash flow hedge derivatives	82	-	82	-
Total	**11,591**	**-**	**82**	**11,509**

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**

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.

Shares in unlisted companies at FVOCI

Due to the lack of publicly available data on the transfer of these shares, the Group has measured the shares at fair value using unobservable inputs and classified them as a 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.

29. 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 **2021 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	162,605	-	53,063	-	-	-	215,668	215,668
Receivables from financial institutions	257,173	186,298	559,334	552,725	-	-	1,555,530	1,555,530
Receivables	11,490	284	2,626	25,861	-	-	40,261	12,413
Loans and advances to Members	47,704	94,709	420,775	1,829,271	8,423,702	-	10,816,161	7,903,547
Shares in unlisted companies	-	-	-	-	-	11,463	11,463	11,463
Cash flow hedge derivative asset	82	-	-	-	-	-	82	82
Total financial assets	**479,054**	**281,291**	**1,035,798**	**2,407,857**	**8,423,702**	**11,463**	**12,639,165**	**9,698,703**

CONSOLIDATED **2021 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**
Wholesale sector funding	214,722	102,700	85,912	204,924	-	-	608,258	603,356
Subordinated debt	-	-	-	-	23,534	-	23,534	20,037
Retail deposits	2,945,529	1,184,984	2,308,926	1,698,178	-	7,659	8,145,276	8,129,034
Creditors, accruals and settlement accounts	17,541	-	-	-	-	-	17,541	17,541
Cash flow hedge derivatives liabilities	106	35	17	-	-	-	158	158
Borrowings	-	-	-	324,715	-	-	324,715	324,715
Total financial liabilities	**3,177,898**	**1,287,719**	**2,394,855**	**2,227,817**	**23,534**	**7,659**	**9,119,482**	**9,094,841**

PARENT **2021 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	162,604	-	53,063	-	-	-	215,667	215,667
Receivables from financial institutions	257,173	186,298	559,334	552,725	-	-	1,555,530	1,555,530
Receivables	12,302	284	2,626	25,861	-	-	41,073	13,225
Loans and advances to Members	47,704	94,709	420,775	1,829,271	8,423,702	-	10,816,161	7,903,547
Shares in unlisted companies	-	-	-	-	-	11,462	11,462	11,462
Investments in controlled entities	-	-	-	-	-	47	47	47
Cash flow hedge derivatives asset	82	-	-	-	-	-	82	82
Total financial assets	**479,865**	**281,291**	**1,035,798**	**2,407,857**	**8,423,702**	**11,509**	**12,640,022**	**9,699,560**

PARENT **2021 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**
Wholesale sector funding	214,722	102,700	85,912	204,924	-	-	608,258	603,356
Subordinated debt	-	-	-	-	23,534	-	23,534	20,037
Retail deposits	2,946,107	1,184,984	2,308,926	1,698,178	-	7,659	8,145,854	8,129,612
Creditors, accruals and settlement accounts	17,764	-	-	-	-	-	17,764	17,764
Cash flow hedge derivative liabilities	106	35	17	-	-	-	158	158
Borrowings	-	-	-	324,715	-	-	324,715	324,715
Total financial liabilities	**3,178,799**	**1,287,719**	**2,394,855**	**2,227,817**	**23,534**	**7,659**	**9,120,283**	**9,095,642**

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
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
Borrowings	-	-	-	-	-	-	-	-
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**

PARENT

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
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
Borrowings	-	-	-	-	-	-	-	-
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**

30. 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), or 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 2021 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	161,555	53,063	-	-	-	1,050	215,668
Receivables from financial institutions	560,426	685,074	310,030	-	-	-	1,555,530
Receivables	-	-	-	-	-	12,413	12,413
Loans and advances to Members	2,101,578	288,089	1,430,504	4,050,597	2,904	-	7,873,672
Share in unlisted companies	-	-	-	-	-	11,463	11,463
Cash flow hedge derivatives asset	82	-	-	-	-	-	82
Total financial assets	**2,823,641**	**1,026,226**	**1,740,534**	**4,050,597**	**2,904**	**24,926**	**9,668,828**

2021 Liabilities $'000							
Wholesale sector funding	314,119	202,557	85,757	-	-	923	603,356
Subordinated debt	-	20,000	-	-	-	37	20,037
Retail deposits	2,945,389	1,183,609	2,297,810	1,694,567	-	7,659	8,129,034
Creditors, accruals and settlement accounts	-	-	-	-	-	17,541	17,541
Cash flow hedge derivative liabilities	158	-	-	-	-	-	158
Borrowings	-	-	-	324,715	-	-	324,715
On-statement of financial position	3,259,666	1,406,166	2,383,567	2,019,282	-	26,160	9,094,841
Undrawn loan commitments (see Notes 32a, 32b, 32c)	959,523	-	-	-	-	-	959,523
Total financial liabilities	**4,219,189**	**1,406,166**	**2,383,567**	**2,019,282**	**-**	**26,160**	**10,054,364**

PARENT

2021 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	161,554	53,063	-	-	-	1,050	215,667
Receivables from financial institutions	560,426	685,074	310,030	-	-	-	1,555,530
Receivables	-	-	-	-	-	13,225	13,225
Loans and advances to Members	2,101,578	288,089	1,430,504	4,050,597	2,904	-	7,873,672
Share in unlisted companies	-	-	-	-	-	11,462	11,462
Investments in controlled entities	-	-	-	-	-	47	47
Cash flow hedge derivative asset	82	-	-	-	-	-	82
Total financial assets	**2,823,640**	**1,026,226**	**1,740,534**	**4,050,597**	**2,904**	**25,784**	**9,669,685**

2021 Liabilities $'000	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Wholesale sector funding	314,119	202,557	85,757	-	-	923	603,356
Subordinated debt	-	20,000	-	-	-	37	20,037
Retail deposits	2,945,967	1,183,609	2,297,810	1,694,567	-	7,659	8,129,612
Creditors, accruals and settlement accounts	-	-	-	-	-	17,764	17,764
Cash flow hedge derivative liabilities	158	-	-	-	-	-	158
Borrowings	-	-	-	324,715	-	-	324,715
On-statement of financial position	3,260,244	1,406,166	2,383,567	2,019,282	-	26,383	9,095,642
Undrawn loan commitments (see Notes 32a, 32b, 32c)	959,523	-	-	-	-	-	959,523
Total financial liabilities	**4,219,767**	**1,406,166**	**2,383,567**	**2,019,282**	**-**	**26,383**	**10,055,165**

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
Share 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	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
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
Borrowings	-	-	-	-	-	-	-
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 32a, 32b, 32c)	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
Share 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**

2020 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	Non-interest bearing	Total
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
Borrowings	-	-	-	-	-	-	-
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 32a, 32b, 32c)	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**

31. 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		
2021 Assets $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	215,668	215,668	-	215,667	215,667	-
Receivables from financial institutions	1,562,716	1,555,530	7,186	1,562,716	1,555,530	7,186
Receivables	12,413	12,413	-	13,225	13,225	-
Loans and advances to Members	7,913,846	7,903,547	10,299	7,913,846	7,903,547	10,299
Share in unlisted companies	11,463	11,463	-	11,462	11,462	-
Investments in controlled entities	-	-	-	47	47	-
Cash flow hedge derivative asset	82	82	-	82	82	-
Total financial assets	**9,716,188**	**9,698,703**	**17,485**	**9,717,045**	**9,699,560**	**17,485**

2021 Liabilities $'000						
Wholesale sector funding	605,008	603,356	1,652	605,008	603,356	1,652
Subordinated debt	20,037	20,037	-	20,037	20,037	-
Retail deposits	8,135,065	8,129,034	6,031	8,135,643	8,129,612	6,031
Creditors, accruals and settlement accounts	17,541	17,541	-	17,764	17,764	-
Cash flow hedge derivative liabilities	158	158	-	158	158	-
Borrowings	324,715	324,715	-	324,715	324,715	-
Total financial liabilities	**9,102,524**	**9,094,841**	**7,683**	**9,103,325**	**9,095,642**	**7,683**

	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
Share 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**

	CONSOLIDATED			PARENT		
2020 Liabilities $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
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	-
Borrowings	-	-	-	-	-	-
Total financial liabilities	**7,524,178**	**7,515,090**	**9,088**	**7,524,571**	**7,515,483**	**9,088**

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 0.01%-0.42% (2020: 0.09%-0.64%). 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 2.04%-11.99% (2020: 2.19%-13.19%).

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 0.06%-0.31% (2020: 0.19%-0.60%).
- **Retail deposits:** The rates applied to give effect to the discount of cash flows were 0.05%-0.74% (2020: 0.18%-1.33%).

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.

Long-term borrowings

The carrying value of long term borrowings approximates their fair value.

32. Financial commitments

a. Outstanding loan commitments

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Loans approved but not funded	**241,916**	**241,916**	**209,845**	**209,845**

b. Loan redraw facilities

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Loan redraw facilities available	**414,805**	**414,805**	**419,704**	**419,704**

c. Undrawn loan facilities

Loan facilities available to Members for overdrafts and credit cards are as follows:	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Total value of facilities approved	373,937	373,937	384,544	384,544
Less: Amount advanced	(71,135)	(71,135)	(73,485)	(73,485)
Net undrawn value	**302,802**	**302,802**	**311,059**	**311,059**

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:	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	-	-	1,399	1,399
Total	**-**	**-**	**1,399**	**1,399**

e. Computer capital commitments

	2021 $'000		2020 $'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 and IT equipment:	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	266	266	15	15
Later than one year but not five years	491	491	-	-
Total	**757**	**757**	**15**	**15**

33. Standby borrowing facilities

The Group has borrowing facilities as follows:

	Gross	Current borrowings	Net available
			2021 $'000
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**0**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**0**	**5,000**
			2020 $'000
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**

The Parent has an overdraft facility with Cuscal and maintains a security deposit of $53 million (2020: $52 million) with Cuscal to secure this facility and settlement services. No other form of security is provided by the Parent.

Q.T Travel Pty Ltd has bank overdraft facilities amounting to $30,000 (2020: $30,000) with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 (2020: $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 2021 none of the facilities were used. Interest rates are variable.

34. 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.

Guarantees

	2021 $'000		2020 $'000	
	Consolidated	Parent	Consolidated	Parent
Bank guarantees provided for Members	**1,307,460**	**1,307,460**	**-**	**-**

The guarantee is payable only on the Member defaulting on the contractual repayments to the counterparty. The guarantees are fully secured against term deposits.

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

a. Remuneration of key management persons (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 eleven members of the executive management of the Parent (2020-2021) 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:

	2021 $'000					2020 $'000				
	Chair	Other Directors	CEO	Other KMP	Total	Chair	Other Directors	CEO	Other KMP	Total
a. Short-term employee benefits*	139	637	946^	3,897	5,619	122"	592	810	3,463	4,987
b. Post-employment benefits – superannuation contributions	13	60	104	216	393	12	53	100	181	346
c. Other long-term benefits – net increases in long service leave provision			41	195	236			60	(66)	(6)
d. Termination benefits		-		480	480		-		-	-
e. Share-based payment		-		-	-		-		-	-
Total	**152**	**697**	**1,091**	**4,788**	**6,728**	**134**	**645**	**970**	**3,578**	**5,327**

* Short term benefits include movements in annual leave entitlements. FY2021 amounts include one extra fortnight of pay when compared to FY2020.

^ The CEO package stayed constant from FY2020 to FY2021. In FY2020, the CEO took annual leave in excess of 4 weeks, which resulted in a decrease to his short-term benefits of $57,000 as it was replaced with annual leave. In FY2021, the CEO took less than 4 weeks annual leave, which resulted in an increase to his short-term benefits of $47,000. FY2021 includes 27 pay days (FY2020: 26).

" The chair salary comprises 2 months of director salary from July 2019 to August 2019 and 10 months of chair salary from August 2019 onwards.

For FY2021, no salary increases were awarded to the CEO, and no salary increases were awarded to directors at the 2020 Annual General Meeting (AGM) for the period November 2020 to November 2021.

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 AGM. Post-employment benefits comprise 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 relatives of Directors and other KMP.

	2021 $'000			2020 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	-	-	114	326	-	122
Balance	1,513	-	6	1,448	-	32
Amounts disbursed or facilities increased in the year	669	-	-	-	-	-
Interest and other revenue earned	56	-	5	36	-	5

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

	2021 $'000	2020 $'000
Total value term and savings deposits from Directors and other KMP	2,368	4,622
Total interest paid on deposits to Directors and other KMP	20	96

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.

2021 $'000	Sales to related parties	Purchases from related parties	Other transactions
Tertiary Travel Service Pty Ltd	-	-	-

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

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 $4,035 (2020: $5,735). Graeme Green is the spouse of Linda Green.

36. Segmental reporting

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

37. 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. Loans comprise variable interest rate loans, with the book value and fair value of the loans being equivalent. Fixed interest rate loans were included in the trust during FY2021. During the year, the Parent assigned an additional $1.802 billion in loans (2020: Nil) to the trust.

	2021 $'000	2020 $'000
Total amount of securitised loans under management	2,034,342	908,522

38. Notes to statement of cash flows

a. Reconciliation of cash

	2021 $'000		2020 $'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	215,668	215,667	88,156	88,155

Restricted access accounts of $53.1 million represent the Group's security deposit obligations with Cuscal Limited.

b. Reconciliation of cash from operations to accounting profit

	2021 $'000		2020 $'000	
THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO PROFIT AFTER TAX	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Profit after income tax	28,134	28,074	25,698	25,997
Add (less):				
- Provision for impairment and bad debts written off (net)	897	897	1,690	1,690
- Depreciation of property, plant and equipment	5,548	5,548	6,368	6,368
- Provision for employee entitlements	(433)	(433)	2,963	2,963
- Other provisions	269	808	(476)	(486)
- Loss on disposal of plant and equipment (net)	(32)	(32)	(12)	(12)
- Bad debts recovered	(1,109)	(1,109)	(1,068)	(1,068)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	(2,072)	(2,177)	(464)	(485)
- Accrued expenses and sundry creditors	(4,192)	(5,030)	1,774	1,774
- Interest receivable	(791)	(791)	1,965	1,965
- Interest payable	(6,562)	(6,933)	(11,964)	(11,964)
- Other income receivable	2,093	2,093	(1,567)	(1,567)
- Unearned income	(264)	(264)	257	257
- Increase in other assets	-	-	-	-
- Increases in loans and advances to Members	(1,247,039)	(1,247,039)	(120,482)	(120,482)
- Increase in retail deposits	1,213,923	1,214,589	284,404	284,018
- Provision for income tax	(844)	(843)	106	113
- Deferred tax asset	505	672	(1,613)	(1,504)
Net cash flows from operating activities	**(11,969)**	**(11,970)**	**187,579**	**187,577**

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

39. Events occurring after balance date

In January 2021, Teachers Mutual Bank Limited entered into an MOU with Pulse Credit Union Limited. Subsequently, both boards have completed due diligence, and agreed to a merger and APRA has provided initial approval. Subject to the vote of Pulse Members, and final regulatory approvals, the Members of Pulse will join the existing UniBank or Health Professionals Bank divisions of Teachers Mutual Bank Limited. Pulse Credit Union has approximately 6,000 Members and $122 million in assets. No changes are expected to be made to the Board or Executive of Teachers Mutual Bank Limited as a result of the merger. The merger and the conversion of all systems to those of Teachers Mutual Bank Limited are expected in early November 2021.

Teachers Mutual Bank Limited intends to participate in the Australian Government's The Family Home Guarantee and The New Home Guarantee Schemes whilst continuing our participation in First Home Loan Deposit Scheme, supporting Members with lower incomes or who are single parents into housing with low deposits.

The Bank, post 30 June 2021, has again made available Repayment Pauses on Home Loans, by application, for Members who have had their income impacted by the current ongoing lockdowns occurring within Australia. These deferrals are subject to concessional treatment by APRA. Hardship arrangements are also available for those Members with personal loans and credit cards.

To recognise the future impacts of COVID-19, especially the emerging Delta strain post 30 June 2021, we have applied a management overlay of $3.7 million to credit provisions above the levels predicted by our historical models. Given the greater certainty surrounding collateral values for home loans by the end of the year, this year's provisions are weighted more heavily to the unsecured portfolio. Loan provisions now stand at $5.9 million (2020: $6.6 million).

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.

40. Transfer of business

The Group accepted a transfer of business from Firefighters Credit Co-Operative (FCCL), pursuant to the Financial Sector (Business Transfer and Group Reconstruction) Act 1999. Regulatory approval was obtained from APRA for the merger effective 1 May 2021. The primary reason for the merger was to consolidate the mutual interests of the credit union and the Parent to create a stronger organisation.

The consideration transferred is as follows:

	Fair Value Amount $'000
Redeemable share reserve	29
Contributed equity	3,974
Acquisition-date-fair-value of acquirer's equity interest	4,003

The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed, are as follows:

ASSETS	Carrying Value $'000	Fair Value on Merger $'000
Cash and cash equivalents	1,086	2,432
Receivables due from other financial institutions	31,890	29,896
Financial assets held at FVOCI	155	155
Receivables from Members	34,384	34,384
Other receivables	49	12
Fixed assets	182	-
Deferred tax asset	17	17
Total assets	**67,763**	**66,896**

LIABILITIES	Carrying Value $'000	Fair Value on Merger $'000
Member deposits	62,037	62,039
Creditors and accruals	251	715
Other provisions	561	139
Total liabilities	**62,849**	**62,893**
Fair value of identifiable net assets attributable to FCCL	**4,914**	**4,003**

(a) Revenue and profit contribution

The assets and liabilities transferred into the Parent are not separated and ongoing revenue and expenses have been absorbed into the revenue and expenses of the Group.

The amount of revenue and the profit and loss of FCCL since the transfer date is therefore not available.

(b) Acquisition Costs

Legal and compliance costs of $47,080 are included in general and administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

(c) Contingent Assets and Liabilities

There were no contingent assets or liabilities acquired as a result of the merger.

(d) Inter-company Balances

There were inter-company deposits amounting to $7.1 million between FCCL and the Group on the date of merger.

(e) Purchase consideration

INFLOW OF CASH DUE TO ACQUISITION	$'000
Cash consideration paid	-
Balances acquired – cash	2,432
Net inflow of cash – investing activities	**2,432**

41. 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 company as at 30 June 2021 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 2 September 2021

Independent auditor’s report

GrantThornton

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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 2021, 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 2021 and of its performance for the year ended on that date; and

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

Basis for opinion

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

We 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 2021, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the 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: https://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

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 2 September 2021


Alex
Employed by Teachers Mutual Bank Limited and a Member of Hiver - Member since 2021
Since the COVID-19 pandemic, Alex has picked his sketch book back up in his spare time

Need more information?

Please visit www.tmbl.com.au/contact

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TEACHERS MUTUAL BANK LIMITED

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