Annual Report and Sustainability Update 2021–2022

TEACHERS MUTUAL BANK LIMITED

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

“The advance of technology is based on making it fit in so that you don't really even notice it, so it's part of everyday life.”

BILL GATES

Kylie
Member since 2020

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

Annual Report and Sustainability Update 2021-2022

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
Cover: Kundi, Employee since 2019

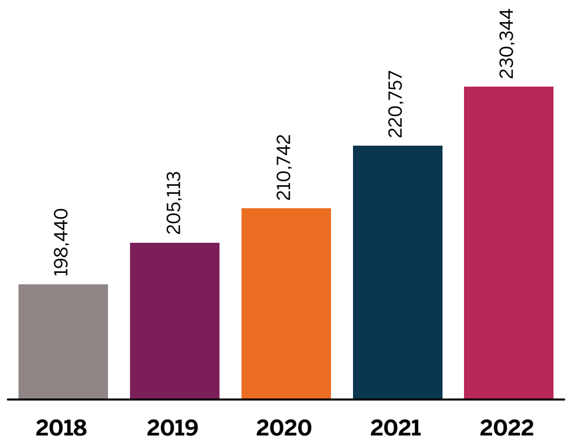
Financial performance snapshot

Our focus on sustainable growth allows us to keep delivering value to our Members.

> *"Innovation is the unrelenting drive to break the status quo and develop anew where few have dared to go."*
>
> **STEVEN JEFFES**

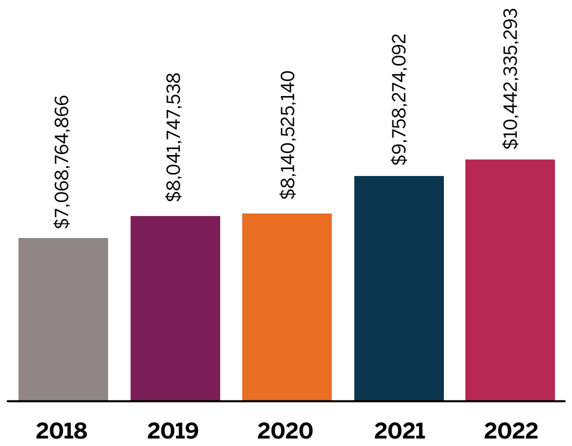
Membership

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



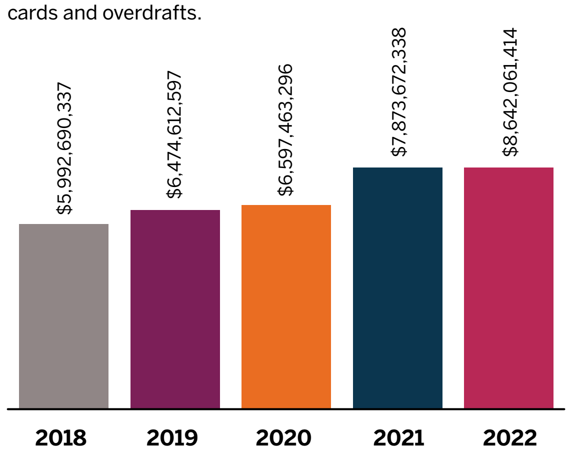
Assets

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



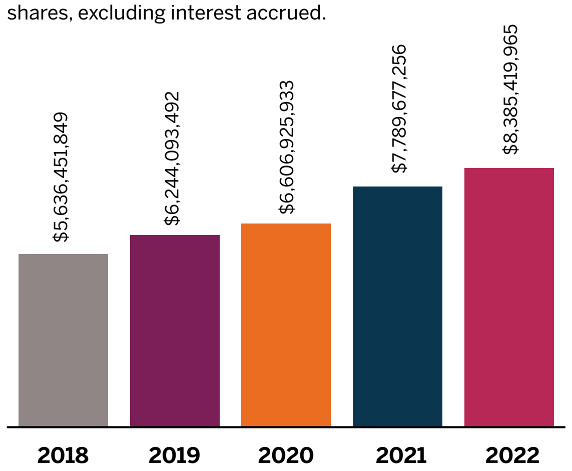
Loan balances

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



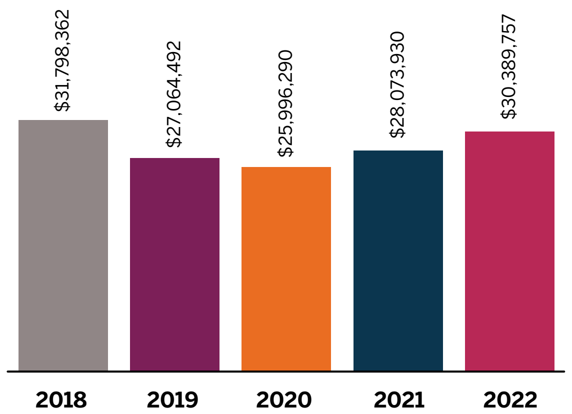
Member deposits

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



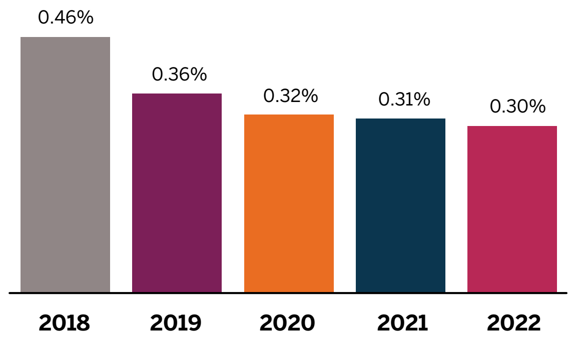
Profit after income tax

Profit after income tax 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.



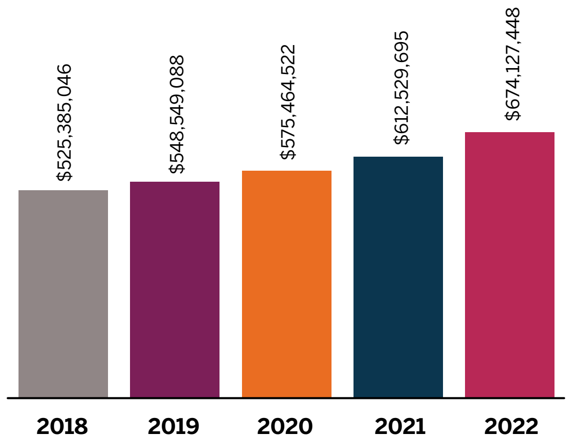
Return on assets

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



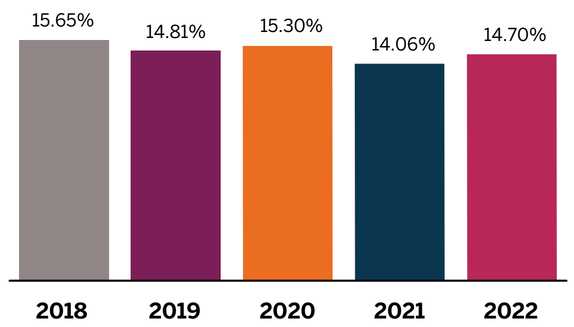
Reserves

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



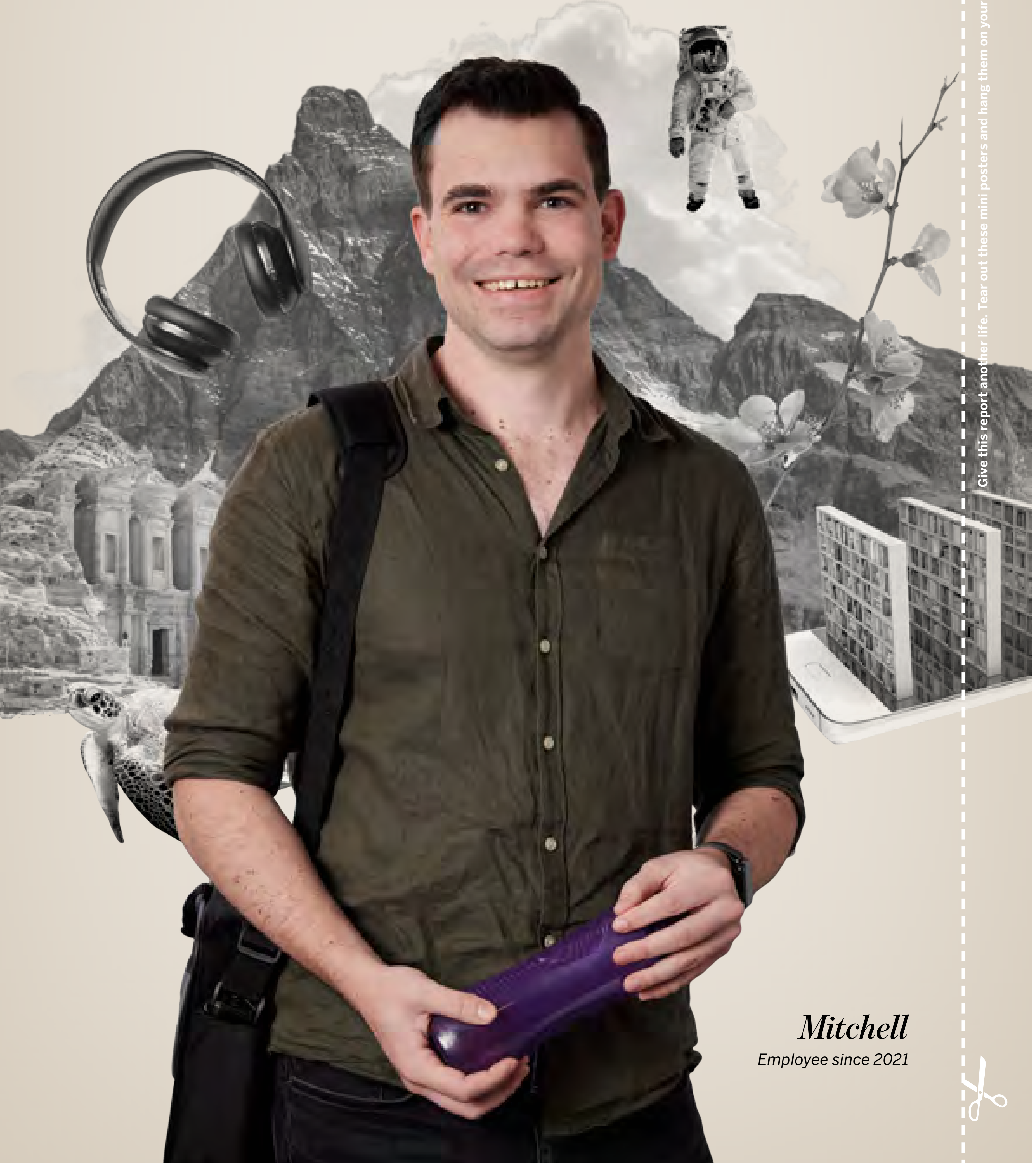
Capital adequacy ratio

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%.



"An investment in knowledge pays the best interest."

BENJAMIN FRANKLIN



Mitchell

Employee since 2021

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

What we delivered in FY2022

We're a world-leading socially responsible bank. We recognise the importance of measuring our performance beyond profits.

Banking for good

9 YEARS
in a row as one of the World's Most Ethical Companies

$10.8 BILLION
of Certified RIAA Responsible Investment products on the balance sheet

1 OF 32
banks and credit unions worldwide to become a Certified B Corporation

1ST
Reconciliation Action Plan

Our Community

$1.03 MILLION
in total community investment

95
Members assisted by our Financial Hardship program

869
video home lending appointments

98.3%
Member retention

Our People

44%
of the Board of Directors are women

439
staff completed sustainability training in the past year

$25,426
donated via employee giving and donations

70%
of staff in flexible workplace arrangements

Our Society

13TH
in the Top 20 Best Workplaces to Give Back

100%
run on renewable electricity

10 YEARS
at net zero and carbon neutral for our direct greenhouse emissions

$100,000
donated to flood-affected communities

A message from our Chair and CEO

Welcome to the 2021-2022 Annual Report and Sustainability Update. We strive at all times to be a bank for good, for those who do good.

Despite the ongoing the challenges of the pandemic, extreme weather events across our country, as well as an uncertain geo-political landscape, we have remained financially strong during our 56th year of operation and we have continued to deliver value for our Members.

At the end of the 2021-2022 financial year we are proud to be serving over 230,000 Members across Teachers Mutual Bank, Health Professionals Bank, UniBank, Firefighters Mutual Bank and Hiver. This year we reached more than $10.4 billion in assets under management and we returned a net profit of $30.4 million. Our asset base grew substantially by 6.8%, which is well above the industry average. We have also maintained a healthy capital adequacy ratio of 14.7%.

We acknowledge our Members in the education, emergency services and healthcare sectors who have shown unwavering resilience during the past few years. We know that our Members work hard to secure their financial future, so we recognise the importance of making banking as easy as possible and providing outstanding service. Roy Morgan's Consumer Banking Australia report in June 2022 shows that the mutual sector continues to out-perform major banks in customer satisfaction.[1] According to the Roy Morgan report, the Teachers Mutual Bank brand achieved a 98% customer satisfaction rating to June 2022, the highest of any financial institution.[2]

Growing our Bank

As our world changes, we have continued to meet the ever-evolving needs of our Members. In line with our digital-first approach, we have enhanced our digital banking technologies to bring our Members a faster, more convenient banking experience.

Our digital bank for essential workers, Hiver, continues to grow. At 30 June 2022, Hiver had 1,776 Members. Hiver has allowed us to serve more essential worker Members and to remain competitive in the digital landscape. Additionally, it has given us the ability to upgrade the digital capabilities in Firefighters Mutual Bank, Health Professionals Bank, Teachers Mutual Bank and UniBank.

In November 2021, we welcomed 6,000 new Members through our merger with Pulse Credit Union. We shared a lot in common with Pulse Credit Union, making this an ideal partnership – both Member-owned financial institutions with a strong commitment to customer service and a focus on community.

Staying connected

With COVID-19 restrictions easing across Australia during 2022, we welcomed more opportunities to connect face-to-face with our Members, our people and our communities. We have welcomed our teams back to the office, whilst introducing a sustainable hybrid working model that offers flexibility for our people.

We acknowledge the unwavering commitment and dedication of our people and we thank our staff who have shown incredible resilience and professionalism to continue providing exceptional service to our Members throughout these challenging times.

Banking for good

In January 2022, we became a Certified B Corporation, proudly joining over 5,000 organisations worldwide committed to using business as a force for good. Certified B Corporations meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

We are extremely proud to have been recognised as one of the World's Most Ethical Companies for the ninth year in a row. In June 2022, we were honoured to win Green Bank of the Year for 2022 in the Finders Green Awards.

We're proud to be leading the way in responsible investment. Every mortgage and savings product we offer is certified by the Responsible Investment Association Australasia (RIAA) based on strict criteria and at no extra cost to our Members. At 30 June 2022, we reached an incredible $10.8 billion in Certified RIAA products.

In June 2022, we launched our first Reconciliation Action Plan (RAP) – our first formal step on our reconciliation journey. As a values-based, socially responsible bank, it is important that we acknowledge past injustices. Our RAP is an opportunity to develop deeper and long-lasting relationships with Aboriginal and Torres Strait Islander peoples and communities.

Giving back to our communities

Being socially responsible drives everything we do - it's in our DNA. As a Member-owned bank, we are committed to putting people before profits and giving back to the communities we serve.

We donated $100,000 to communities affected by the severe flooding events in New South Wales and Queensland throughout 2022 to date. This donation was distributed to multiple organisations across education, healthcare and emergency services that were severely impacted by flooding, and whose purpose and values aligned with ours.

We have continued to partner with Cufa to address the causes of poverty in rural Cambodia. Celebrating its 10th year in 2022, the Children's Financial Literacy program has helped more than 36,845 children receive an education in financial literacy to date.

In 2022, we continued to support the Asylum Seekers Centre (ASC) – a not-for-profit organisation that provides practical assistance and a warm welcome to more than 4,000 people who are waiting be settled in Australia. In June 2022, our staff raised $3,189 for the ASC and a number of our people also volunteered their time at the organisation.

We invite you to our AGM

Our 2022 Annual General Meeting (AGM) will again be held as a hybrid event on Saturday, 19 November. We invite you to attend in person or via our online webinar. We look forward to the opportunity to connect with our Members and answer your questions.

We thank you for choosing us as your financial services provider. It's with your support that we continue to build a strong financial foundation for the future.

Maree O'Halloran
Chair

Steve James
Chief Executive Officer

RAP Art Commission

The artwork incorporated throughout the design of our Reconciliation Action Plan was created by Aboriginal artist Lee Hampton of Koori Kicks Art. It represents all five divisions and celebrates our commitment to reconciliation. The original artwork is proudly on display at Homebush and has been reproduced with permission to hang in all our offices.

1 MFI Satisfaction ratings are based on the relationship with the financial institution. Customers must have at least a deposit/transaction account relationship with the institution. Satisfaction is based on customers who answered "Very" or "Fairly" satisfied.

2 Customer satisfaction ratings are based on the relationship with the financial institution. Customers who have relationships with multiple brands within an institution group, are regarded as a customer of each brand. Customers must have at least a deposit/transaction account relationship with the institution. Satisfaction is based on customers who answered "Very" or "Fairly" satisfied.

"If you look at history, innovation doesn't come just from giving people incentives; it comes from creating environments where their ideas can connect."

STEVEN JOHNSON

Michael

Member since 1971

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

We're a bank for good, for those who do good

We run our bank for people, planet and profit.

Measuring performance beyond financials

Socially responsible banking drives everything we do. We're proud to be a bank for good, for those who do good. We put people before profit – it's central to the way we do business. As we move towards a more sustainable future, acting in the best interests of our Members, our communities and the environment will lay the foundations for long-term success.

"We're really excited to have Teachers Mutual Bank Limited join the B Corp movement. B Corps are leading the way in using business as a force for good and it's vital that consumers have ethical finance options. Teachers Mutual has demonstrated a clear commitment to using its operations to make a quantifiable, positive impact on the world."

Andrew Davies, CEO of B Lab Australia and Aotearoa New Zealand

We're a B Corp

In January 2022, we became a Certified B Corporation (B Corp), joining over 5,000 organisations worldwide committed to using business a force for good. B Corps meet the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

B Corp certification is a rigorous, verified performance assessment across 5 areas: Governance, Workers, Customers, Community and Environment. It requires a minimum score of 80 points, 300+ scored questions across each area, multiple verification rounds, a series of interviews and data provision. The process took us over 12 months to complete.

Certification is administered by the non-profit global organisation B Lab. Unlike other certifications for businesses, B Lab is unique in its ability to measure a company's entire social and environmental impact across all operations.

Meeting rigorous ethical standards

External benchmarking and independent third-party evaluation provide transparency and accountability, and shows our Members that our credentials can be trusted.

As well as becoming a B Corp, we are extremely proud to have been recognised as one of the World's Most Ethical Companies[1] for the ninth year in a row – that's every year from 2014 to 2022. We were one of just five banks worldwide (and one of 136 companies) to be named in 2022.

A leader in sustainability

In June 2022, we were honoured to win Green Bank of the Year for 2022 in the Finder Green Awards. The Awards recognise Australian sustainability leaders across a broad range of industries. We're proud to be recognised amongst other pioneering organisations that know that integrating sustainable business practices is the way of the future.

9th

year in a row that we have been recognised as one of the World's Most Ethical Companies.

1 The World's Most Ethical Companies is awarded by the Ethisphere Institute – 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

Taking action on climate change

As a bank, we have a responsibility to take action on climate change. It's now widely recognised that climate change is not just extreme weather events; it poses serious societal and financial risks if we don't take action.

As the first bank to sign up to the Climate League 2030, we took the lead and committed to reducing Australia's emissions by 45% in line with the Paris Agreement.

Leading in responsible investment

In keeping with our commitment, we do not lend to or borrow from the fossil fuel industry, nor do we do business with other damaging industries: tobacco, gambling and alcohol. Every mortgage and savings product we offer is certified by the Responsible Investment Association Australasia[2] (RIAA) based on strict criteria and at no extra cost to our Members. As at 30 June 2022, we have $10.8 billion in Certified RIAA products on the balance sheet.

This acknowledges: our commitment to responsible investing; our explicit consideration of environmental, social and governance factors in investment decision making; our strong and collaborative stewardship; and our transparency in reporting activity, including societal and environmental outcomes being achieved.

Our reconciliation journey

In June 2022, we launched our first Reconciliation Action Plan (RAP) – our first formal step on our reconciliation journey.

As a values-based, socially responsible bank, it is important that we acknowledge past injustices. Our RAP is an opportunity to develop deeper and long-lasting relationships with Aboriginal and Torres Strait Islander peoples and communities and is part of our commitment to diversity and inclusion. It provides a firm foundation from which we can contribute to reconciliation through ongoing cultural awareness and employee engagement programs that will evolve over time.

Values-based banking is the way forward

The financial sector is changing. In a world facing a climate emergency and rising inequality, it's important we work together with other like-minded banks to build a sustainable future. We are a member of the Global Alliance for Banking on Values (GABV), a network of 68 independent banks who are working together to change the global banking system. The GABV strives for a more transparent banking sector that supports economic, social and environmental sustainability.

2 **RIAA disclosure:** *Retail mortgages and deposits (and wholesale) have been certified by the Responsible Investment Association Australasia (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.*

9 Banking for Good Goals

Strive for international leadership in socially responsible banking.

Benchmark to global standards on reporting, transparency and verification.

Map our social responsibility targets to the UN Sustainable Development Goals.

Strengthen our governance, policies and operations to ensure that the Bank is run for people, planet and profit.

Enforce strict, responsible investment criteria to our total balance sheet, including lending and investment policies.

Set socially responsible products as the standard for our Members and investors.

Ensure our values of Advocacy, Sustainability and Passion are embedded at the core of the organisation's culture.

Foster partnerships and advocate for transformational change to achieve sustainable finance solutions.

Advance fossil fuel-free banking.

Supporting our community

As the world changes, our Members' needs evolve too. We're ready to adapt the banking experience to give our Members flexibility and choice.

Making banking faster, easier and more convenient

The growth of our digital channels has been accelerated by the COVID-19 pandemic as more and more Members see the convenience of connecting with us online.

As part of our digital strategy, we have remained committed to making it easier for Members to bank with us.

In June 2022, we launched our new mobile app across our four industry banks. Our new app has updated features and services, like enhanced security and fraud monitoring, and provides a better mobile banking experience.

The future of banking is digital

At 30 June 2022, our digital bank, Hiver, had 1,776 Members. Hiver is a combination of the latest digital technology and our responsible investment values. Our digital bank allows us to test and introduce the latest banking innovations on a small scale before we roll them out to our industry banks.

We believe that the future of banking is both digital and ethical, underpinned by a strong mutual foundation, which is Hiver at its core. In June 2022, we introduced *Hiver giveback* – a social media campaign that allows Hiver Members to vote for one of three causes that they would like us to support. For the first giveback, we split $5,000 among three amazing not-for-profit organisations specialising in mental health support and awareness: Beyond Blue, Black Dog Institute and ReachOut Australia.

Video home loan appointments

During the pandemic, we accelerated our digital capability to be able to continue to offer our Members a safe and convenient banking experience. Following a successful pilot, we launched video home lending across the country, giving all Members access to our Lending Specialists via video call.

We saw a significant take-up of this new service during lockdown periods when home lending appointments were put on hold, but it continues to be a benefit to our more remote Members who can't easily access a branch. In the past year, we held 869 video appointments. Even after resuming face-to-face home loan appointments, we're pleased to continue to offer this service – part of our ongoing commitment to making banking easier for our Members.

869

This year, we held 869 video home lending appointments.

Faster home loan approvals

As part of our commitment to improve the Member experience, we introduced Fast-Track home loans in June 2022. This new service allows us to process home loans that meet certain criteria in a much faster timeframe. Since the launch of the program, we have processed 37 home loans in an average of 35 minutes.

Streamlining our products

We're always refining our product portfolio to align with our Members' financial needs.

Based on Member feedback and our own research, we have simplified our credit and savings products across our industry banks.

By doing this, we are tailoring our offering to the current needs of our Members and prospective Members.

Our Security Promise

Since the start of the COVID-19 pandemic, the world has seen an increase in cyber crime, including online fraud, investment scams and identity theft. We are committed to safeguarding our Members' personal details, financial transactions and money. We use advanced security systems, transaction monitoring and fraud prevention tools to help keep our Members safe from scams and financial loss.

In 2022, we introduced our Security Promise – it's our guarantee that we are working around the clock to protect you, your identity and your money. This means we will repay money lost to fraud so long as you have complied with our terms and conditions and haven't contributed to the loss.

95

This year, our Financial Hardship program helped 95 Members to navigate their changing circumstances.

First Home Loan Deposit Scheme

This year, we assisted 640 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.

Financial Hardship assistance

We understand that no matter how well you plan, financial difficulties sometimes arise.

This year we offered Financial Hardship assistance to 95 Members. This included pausing the home loan repayments for 22 Members who were impacted by the floods in NSW and Queensland.

Your Financial Wellness

Teachers Mutual Bank Limited has partnered with Your Financial Wellness (YFW) to deliver a personalised financial wellness program for our Members. The YFW program is an easy-to-use online platform that helps you start planning for a healthier financial future. It is based on behavioural economics and validated by University of NSW research.

Welcoming new Members

In November 2021, we welcomed 6,000 new Members through our merger with Pulse Credit Union. We shared had a lot in common with Pulse Credit Union making this an ideal

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

"Innovation is the unrelenting drive to break the status quo and develop anew where few have dared to go."

STEVEN JEFFES

Ally

Member since 1994

partnership – both Member-owned financial institutions with a strong commitment to customer service and a focus on community.

While we remain focused on organic growth, we also continue to be open-minded about prospective mergers with other financial institutions in the mutual sector.

We value our Members

In celebration of World Teachers' Day, we launched a social media campaign to uncover the Secret Life of Teachers. The campaign was designed to give teachers a voice, acknowledging the tough time they have had during COVID-19; and celebrating the amazing job they do. We encouraged teachers to have some fun and share their secrets. It gave teachers an opportunity to be playful and celebrate the important role they have as educators.

Health Professionals Bank and the Australian College of Nursing collaborated on a research report that examined the role of nurse leadership during the disruptive events Australia faced in 2019-2021 throughout the pandemic, bushfires, droughts and floods. The report made recommendations for change to ensure that nurses are better equipped to deal with any future crises.

In an Australian-first for card issuers, Teachers Mutual Bank and Health Professionals Bank targeted messages in digital wallets from March until June 2022 to recognise teachers and nurses.

Celebrating six years of inspiring regional teachers

Bell Shakespeare shares our passion for teachers and believes that geography should not be a barrier to world-class professional development.

We are committed to supporting teachers to inspire their pupils no matter where they live. This year we celebrated six years of support for the Bell Shakespeare's Regional Teacher Mentorship. The program builds confidence in teachers so that they can bring Shakespeare to life in the classrooms.

After disruptions due to the pandemic, this year we were finally able to complete our video series, which features four teachers who had attended the Regional Teacher Mentorship. The series shows how the Regional Teacher Mentorship gives regional, rural and remote teachers a way of teaching Shakespeare that is engaging for their students, other teachers and, in many cases, the entire community. The videos demonstrate the impact of the program for teachers who otherwise have limited access to world-class professional development.

Supporting research into social issues

We conducted qualitative and quantitative research into the social issues affecting our Members. Unsurprisingly, the top two issues were mental health/resilience and working conditions. Out of the Members surveyed, 80% ranked the pandemic as making mental health and resilience more relevant. In response to the survey findings we plan to build programs that can support Members with their own resilience.

6

This year we celebrated six years of support for the Bell Shakespeare's Regional Teacher Mentorship.

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

Results on our targets

Member growth and satisfaction

Targets	Results
Member retention rates at 95% or higher	Member retention across all brands is 98.3%, based on resignations versus net membership over 12 months.
Measure, report and benchmark Net Promoter Score (NPS) and satisfaction scores for Members (including in our Contact Centre)	Member satisfaction rating is 76% and the NPS score is 28%. These are based on 3 month weighted rolling averages to June 2022.
Ensure our complaint processes are effective, efficient and result in 95% of complaints being resolved within 14 days	3,692 complaints (94.1%) were resolved within 14 days from a total 3,992. In previous years, this included survey comments which usually were closed within 1-5 days without the need for contact. These do not meet the definition of a complaint under RG271 (ASIC's new Regulatory Guide for internal dispute resolution) and are excluded this year. With the change to RG271 we are now reviewing all complaints cases which require additional time and have introduced the Customer Care team to manage these interactions.
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 1.1% of the total number of complaints received.
Determinations in the client's 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 resulted in a major breach of policy.
Assist Members in financial difficulty through the Financial Hardship program	95 Members were assisted with the Financial Hardship program.
Complaint referrals received from the Australian Financial Complaints Authority (AFCA) (#)	42 complaint referrals were received from the Australian Financial Complaints Authority.

Noteworthy numbers

76%
Member satisfaction rating across all brands

28%
Net Promoter Score across all brands

95
Members assisted through the Financial Hardship program

Investing in impact

Targets	Results
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 industry advisory committees in place that represent our niche markets of health, education and emergency services. Members of these committees represent employees within our niches (teachers, nurses and firefighters) employers (hospitals, government departments, schools and universities) and organisations that represent and support our niche markets (industrial unions and industry associations). This representation provides us with a broad cross section across all the industries we serve and brings different issues and concerns to the table for discussion.
Refine our partnerships strategy to focus on key stakeholder groups that share our values, and to establish mutual benefit	We have developed a new Strategic Partnerships Strategy that allows us to deepen the relationships with the key stakeholders within our niche markets. This strategy outlines both the mutual objectives and outcomes that provide value to our Members, our partners and their employees and the Bank. The Bank has a new role of Head of Strategic Partnerships and Alliances that drives implementation of the strategy and whose role it is to ensure all benefits are achieved.
Undertake a strategic review of our community investment approach	This year we carried out two major pieces of work in relation to the strategic review of sponsorship. The first piece was analysing the priority areas affecting our Members as a point of focus for the new strategic review. This was confirmed by surveying Members to understand what social issues affected them at work. A majority of Members surveyed confirmed that mental health/resilience and working conditions were the top two issues. The second piece of work was to refine the new strategy and investigate sponsorship opportunities in the areas of mental health and resilience.
Invest a minimum of 5% of net profits after tax (NPAT) in the community	Community investment was $1,034,000, which is 3.2% of NPAT. This was due to the ongoing COVID-19 restrictions affecting physical events and activities, combined with a strategic review of partnerships and sponsorships that changed the allocation of funds.
Increase partnerships and engagement with Aboriginal and Torres Strait Islander peoples	We have made a formal commitment to reconciliation through our Reconciliation Action Plan (RAP). The RAP's strength is its framework of relationships, respect, and opportunities, allowing an organisation to strategically set its reconciliation commitments in line with its own business objectives, for the most effective outcomes. Our Reflect RAP with 39 actions is part of our commitment to diversity and inclusion. It provides a firm foundation from which we can contribute to reconciliation through ongoing cultural awareness and employee engagement programs that will evolve over time. Our vision for reconciliation is that it is embedded across our organisation and informs the way we work and interact with each other, our Members and the wider community. We want to have a meaningful impact on reconciliation by establishing and strengthening mutually beneficial relationships with Aboriginal and Torres Strait Islander peoples and organisations. Our RAP is a reflection of our values and the first formal step on our reconciliation journey. As a values-based, socially responsible bank, it is important that we acknowledge past injustices.
Support Cufa's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy Program in Cambodia	The Bank marked 7 years of funding the Cufa's Children's Financial Literacy program project with the publication of a joint report. Key social impacts over 7 years include: 36,845 children have received financial literacy training; 19,507 children have started saving; 809 teachers have joined 89 teacher workshops; 2,361 financial literacy lessons were held in 107 schools; 2,372 home visits to 7,081 people were conducted. The Bank's total Social Return on Investment is $2,961,000 from a cash investment of $329,000.
Increase engagement and reach for employee volunteer days and charity support	Staff undertook 150 hours of volunteering amid COVID-19 restrictions. Staff donations via our charity days and workplace giving totalled $12,742. This included: the Asylum Seekers Centre, offering practical support to people seeking asylum; 57 sleeping bags through Backpack Beds to help the homeless community during the winter months; funds to the Prostate Cancer Foundation for research; funds to Stewart House to purchase clothing for the children in their care; and Cufa's Back to School program, which purchased new uniforms for 190 school children experiencing financial difficulties during COVID-19. The Bank donated $12,685 to over 18 charities nominated by staff, as well as providing other charitable support. Our staff made 71 blood and plasma donations to the Australian Red Cross, saving up to 210 lives.
Total investment into the community	$1,034,000
Staff volunteering (hours)	151
Employee giving and donations	$25,426

"Our minds can come up with the most entertaining possibilities, if we let them. But most of the time, we keep them under far too close a check."

ALEXANDER MCCALL SMITH

Matt

Employee since 2019

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

We care about our people

We provide awesome experiences for people to perform at their best.

Performance and accountability

In September 2021, we launched a new Strategic Plan, which introduced our Objective and Key Results (OKRs) across the organisation. It is a collaborative goal-setting methodology that allows us to set ambitious objectives with measurable results. Organisational OKRs are set by the Executive and each department creates their own goals that align with the big-picture objectives. It has been a great tool to encourage collaboration and alignment across our teams and to ensure we're all striving for the same outcomes.

Our goal-setting forms an important component of our new performance framework. Our leaders now have a performance conversation with their team members every quarter (instead of once a year), which allows our people to reevaluate their goals.

We have also introduced quarterly engagement surveys, so we have regular staff feedback on what our people feel is working well and where we can improve.

Empowering our People Leaders

At 30 June 2022, we employed over 120 staff who have responsibilities for managing people. Our people turn to their leaders for support and guidance, so our focus this year has been on uplifting our leader capability across the organisation in order for them to lead high-performing teams.

In March 2022 we launched *Leader's Digest* – a monthly e-newsletter sent to all People Leaders. We also offer learning and development opportunities to our leadership group. We empower our people leaders with the skills, knowledge and resources so they can best support their teams. We know that by educating and equipping our people leaders, in turn, we're motivating and inspiring our employees to perform at their best. In our July 2022 engagement survey, 89% of staff reported that they received regular communication from their leader on relevant topics.

An open dialogue with our people

We see the importance of maintaining an open and honest dialogue with our people. Fostering connection and collaboration is now more crucial than ever, with many of our employees working remotely at least some of the time.

We have improved our digital communication to connect with people virtually and enhance the employee experience. We have continued running virtual CEO Town Halls, giving all staff the opportunity to hear from CEO Steve James and ask him questions on any topic.

Since the pandemic, digital channels have played a central role in keeping our people connected and informed.

In September 2022, our intranet underwent a refresh to make it easier for staff to access the information they need in a timely manner.

Caring about wellbeing

The health and wellbeing of our people is one of our key priorities. In September 2021, we conducted an extensive survey to assess the mental health and wellbeing of our people.

Based on the findings, we developed a two-year Well@work program aimed at fostering a positive, healthy culture and the right working environment for all employees.

As part of the Well@work program, we ran virtual workshops throughout 2022 to support our people in managing stress and adapting to the transition back to the office. We ask our leaders to check in regularly with our people and we have included a wellbeing

89%

of staff say they receive regular communication from their leader on relevant topics.

section in our quarterly performance review conversations to ensure that struggling employees are getting the support they need. We regularly promote our free Employee Assistance Program.

During the peak of the COVID-19 cases and throughout the major flooding events in 2022, we sent text messages to check on the welfare of employees.

Recognising our people

In July 2022, we launched *Shine* – our new program to recognise, connect and celebrate our people. The new platform is 100% aligned to our values (Advocacy, Passion and Sustainability), our capabilities and our strategic priorities. We have more than doubled our recognition budget to give employees the opportunity to monetarily recognise their peers.

Fostering diversity and inclusion

We're committed to fostering workplace diversity and ensuring that all our people can contribute to their full potential. In December 2021, we introduced a new Diversity and Inclusion Policy, which aims to promote an environment that is welcoming, psychologically-safe and free from discrimination and inequality.

We believe that all employees should be 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 do not tolerate discrimination, bullying and harassment.

We believe that every employee has the right feel comfortable and included at all times.

Encouraging hybrid working

We are committed to providing our people with a positive work environment and a healthy work-life balance to create a high performing culture. We also recognise the benefits of face-to-face connection and collaboration.

Now that restrictions have eased, we have introduced Hybrid Working Guidelines aimed at encouraging our people to return to the office two days a week, whilst giving them the flexibility to work the rest of the week from home.

Since April 2022, we have benefited from introducing Team Days, where all employees in a department or project team come into the office on a set day of the week.

We are reimagining our office spaces, with a project underway to enhance collaboration.

Cyber security education

Our people complete regular training and receive ongoing communication about cyber security, fraud prevention and the importance of protecting our Members' personal information. Our employees are always on the look-out for fraud, identity theft and investment scams.

We encourage our employees to report suspicious emails and to escalate any atypical activity on Member accounts.

We conduct phishing test emails on a frequent basis, so that we can identify any employee that requires additional training in identifying a suspicious email. Pleasingly, in the test conducted in June 2022, over 97% of staff did not open the phishing test email.

Volunteering and staff giving

As a values-based bank, we create opportunities for our people to give back to our communities. As per our HR policy, our employees are entitled to two paid days (pro rata) of Volunteer Leave per year to assist a charity of their choice.

Despite the challenges of ongoing lockdowns and heightened restrictions, our staff volunteered 150 hours in the community.

Staff donations via our charity days and workplace giving totaled $12,742. We donated $12,685 to over 18 charities nominated by staff, as well as providing other charitable support.

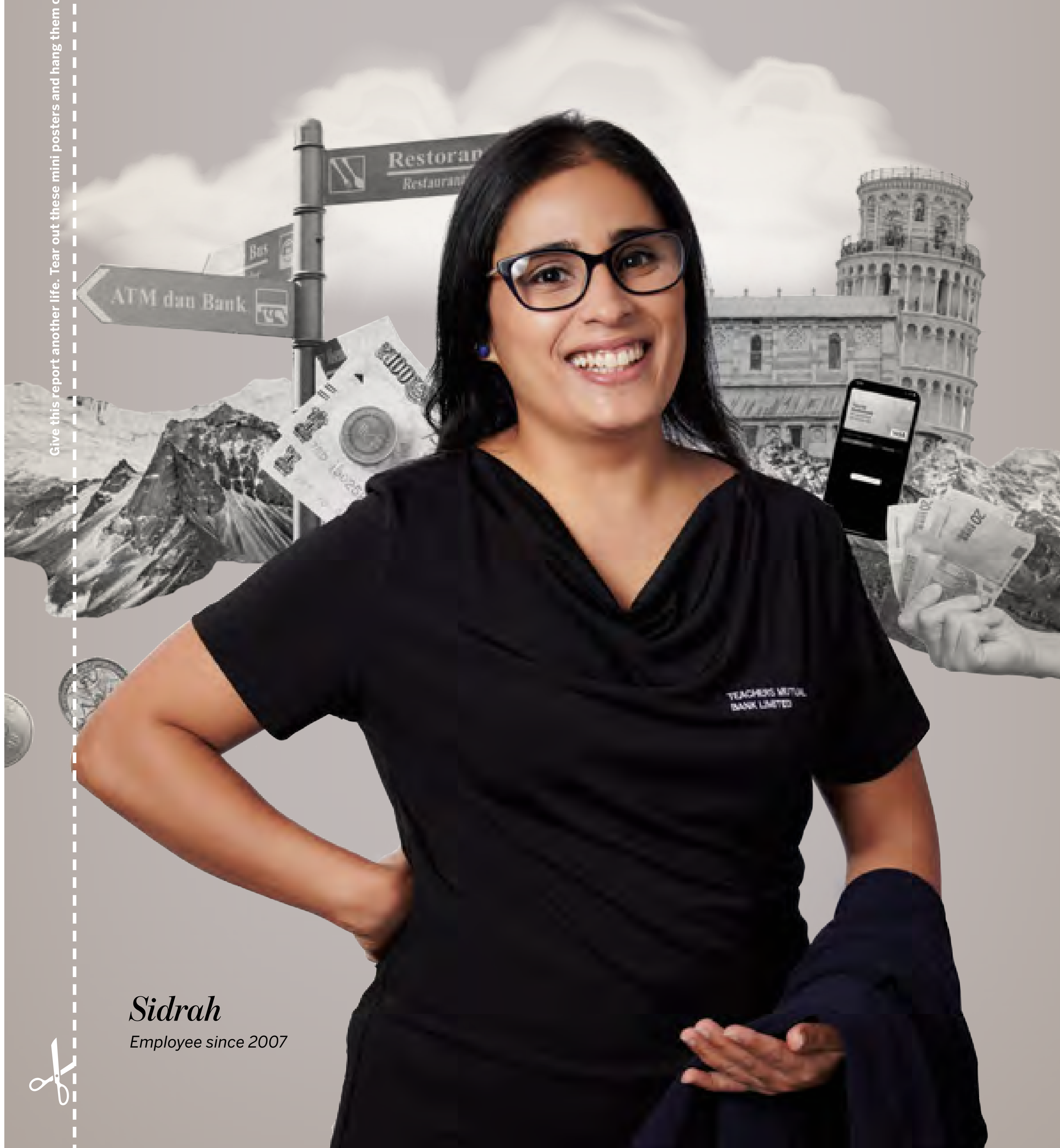
>97%

of staff did not open the phishing test email sent in June 2022.

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

"Good ideas are common – what's uncommon are people who will work hard enough to bring them about."

ASHLEIGH BRILLIANT



Sidrah

Employee since 2007

“Never stop investing, never stop improving, never stop doing something new.”

BOB PARSONS

Bette

Employee since 1992

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

Results on our targets

Inclusion and wellbeing

Targets	Results
Zero tolerance to discrimination, harassment and bullying	Our policies, including our Code of Conduct and our HR Policy, clearly outline the behaviours expected of our people. Online training is undertaken by all employees to reinforce this.
Strengthen our Diversity and Inclusion Policy	Our Diversity and Inclusion Committee worked on implementing a refreshed Diversity and Inclusion Policy 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. This year we created two subcommittees to drive areas the committee believed we should focus on: the Gender Diversity Committee and the Reconciliation Working Group. The Bank launched its first RAP which is a major milestone. Our Gender Diversity Committee continues to work on gathering data and developing an inclusive language guide for the Bank.
Wellbeing is integral to every employee's role	We have implemented a wellbeing framework and program of work providing wellbeing tools and strategies to employees. Wellbeing check-ins also form part of the review process for all employees.
Exceed the ASX average of the percentage of females in Board, Executive and Management positions	Female representation is 44% at both Board and Executive level. The ASX 200 average is currently 35%.
Percentage of women in leadership positions	33% of leadership positions at Executive, Senior Management and Management levels are held by women.
Percentage of staff in flexible workplace arrangements	70% of our staff make use of flexible workplace arrangements.

Noteworthy numbers

44%

of our Board are female (ASX 200 average is 35%)

70%

of staff in flexible workplace arrangements

1

Reconciliation Action Plan created – a major milestone for the Bank

Professional growth

Targets	Results
Maintain employee engagement at or above 80%	This year we transitioned to a new employee engagement survey provider and adopted their survey methodology and benchmarks. Our employee engagement score of 68% was slightly below the benchmark of the Finance Australia 2022 industry peer group (which was 70% at July 2022).
Minimum 85% of employees would recommend the Bank as a place to work	Our employees who would recommend the Bank as a place to work was at 75% in March and 76% in June. Peer contributing organisations in the Finance sector in Australia in 2022 had an average score of 81%.
Maintain staff turnover at an acceptable level of 10-15%	Staff turnover was 20% for FY2022. Turnover has increased across the board and this is a trend observed across all industries in the current low unemployment, very competitive job market.
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 moved to a quarterly performance review process to reflect a coaching-based operating rhythm as part of a new performance management framework. 96% of staff completed Annual Planning.
Promote a zero tolerance culture for corruption and fraud	We have a comprehensive risk management framework and our Code of Conduct, Anti-Money Laundering/Combating Counter Terrorism Financing Training and Whistleblower Policy 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.
Number of annual training hours per employee	52 hours/employee
Percentage of all employees trained in code of conduct and whistle-blower policies	100%
Whistle-blower incidents in FY2022	0

Noteworthy numbers

100%

of employees are trained in Bank policies and procedures as part of the employee lifecycle

52

annual training hours per employee

100%

of employees trained in code of conduct and whistle-blower policies

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

"Deciding which ideas to save and which ideas to discard is one of society's most important tasks."

TIMOTHY NOAH

Con

Employee since 2022

“We're all moving to a world where the forces of nature come closer together to technology.”

SHILO SHIV SULEMAN

Shawn
Member since 2005

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

Giving back to society

We can make a difference when our money is used for good.

As a bank for good, giving back to society and investing in our communities is important to us. In 2021, we were ranked 13th in Australia's Top 20 Best Workplaces to Give Back,[1] along with some of the nation's most well-known companies. The award recognises outstanding corporate giving achievements and provides a benchmark to understand how we stack up against other organisations.

Supporting flood-affected communities

Natural disasters, made worse by climate change, are devastating for our communities. As a values-based organisation, we can play an important role in supporting the recovery efforts following these events.

In additional to our Financial Hardship program for flood-affected Members, we donated $100,000 to communities affected by the severe flooding events in NSW and Queensland throughout 2022 to date. This donation was distributed to multiple organisations across education, healthcare and emergency services that were severely impacted by flooding, and whose purpose and values aligned with ours.

Where possible, we chose to give directly to flood-affected schools and health services, to maximise the benefit of our contribution, to know that our support was going to those who needed it the most. Our donations have been used to purchase new resources and teaching aids that were destroyed in the floods and to go towards rebuilding new facilities. Our donation to the NSW Fire Brigades Employees Relief and Welfare Fund provided financial relief to NSW Fire and Rescue employees and their families who lost homes in the Lismore area.

“Longneck Lagoon EEC would like to publicly acknowledge and thank Teachers Mutual Bank for the very generous corporate donation to our school to assist with flood recovery. These funds will enable us to upgrade some of our teaching tools that were damaged beyond repair during the flood.”

Vicky Whitehead, Principal, Longneck Lagoon Environmental Education Centre

The recipients of our flood support are:

- Broadwater Public School, NSW
- Bullinah Aboriginal Health Service, NSW
- Cabbage Tree Public School, NSW
- Colo High School, NSW
- Condong Public School, NSW
- Empire Vale Public School, NSW
- Lismore High School, NSW
- Longneck Lagoon Environmental Education Centre, NSW
- Milton State School, Qld
- NSW Fire Brigades Employees Relief and Welfare Fund
- Richmond River High School, NSW
- Rocklea State School, Qld
- Trinity Catholic College, Lismore, NSW
- Wardell Public School, NSW

$100k

donated to flood-affected communities.

1 The Best Workplaces To Give Back is supported by GoodCompany – www.goodcompany.org

“Technology means the systematic application of scientific or other organised knowledge to practical tasks.”

JOHN KENNETH GALBRAITH

Tara

Member since 2009

Give this report another life. Tear out these mini posters and hang them on your wall or fridge. Recycle, reuse and reduce.

“In such unprecedented times to receive your act of kindness was not only appreciated, but uplifting. ...Trinity is a vibrant strong community of people, not just a collection of buildings, and we are buoyed by your wonderful support.”

Jesse Smith, Principal, Trinity Catholic College, Lismore

Social impact in Cambodia

We have been a long-time supporter of Cufa – an international development agency committed to alleviating poverty and creating sustainable results across the Asia Pacific. Cufa creates social change by providing skills, resources and support so that the poor and disadvantaged can break the poverty cycle themselves.

Since 2016, we have partnered with Cufa on the Children's Financial Literacy program, taking a grassroots approach to addressing the causes of poverty in rural Cambodia. The program aims to increase the financial literacy of 6-11 year-old children and encourages critical saving habits that have a lifelong and meaningful impact.

To date, the program has helped more than 36,845 children receive education in financial literacy. Of those, 19,507 children began contributing to their savings. The program continues to be a success, tangibly improving the lives and financial futures of Cambodia's rural poor. The progam has involved 107 schools and 809 teachers and has carried out 2,361 lessons.

An unfortunate impact of the pandemic has been an increase in school drop-out rates, especially among girls, due to soaring financial pressure on families. In November 2021, our staff raised $1,356 in our in Cufa Mad Day fundraiser, which supplied 190 students across 20 schools (of which 128 were girls) with uniforms to enable them to return to school.

In July 2022, two members of our CSR Committee travelled to Cambodia with Cufa to see first-hand how our financial investment in the Children's Financial Literacy program is creating real social impact.

Making a difference for asylum seekers

In 2022, we continued to support the Asylum Seekers Centre (ASC) – a not-for-profit organisation that provides practical assistance and a warm welcome to more than 4,000 people who are waiting be settled in Australia.

In June 2022, we ran a staff fundraiser in the lead-up to World Refugee Day, which raised an additional $3,189 for the ASC, exceeding our original goal of $2,000. The funds we raised will help asylum seekers improve their health and wellbeing, regain independence and build community connections.

Team members from our Sydney offices also volunteered at the ASC in Auburn and Newtown, NSW. The groups prepared and served lunch to over 80 people across the two days. It was an incredibly rewarding and humbling experience for those who participated. It's a tangible way for our organisation to have a valuable impact on the lives of others.

“I feel privileged to be part of an organisation that makes a difference. My hand was aching from all the stirring, but my heart was full!”

Yasmin Raza, Lending Manager and Asylum Seekers and Refugee Sub-Committee team member

$3k+

fund-raised by staff for the ASC.

Results on our targets

Sustaining our planet

Targets	Results
Set as standard that banking products exclude fossil fuel industry investment	The Bank does not take money from, or lend to, the fossil fuel industry, a policy that covers the total balance sheet and all products. Environmental, Social, and Governance (ESG) issues are embedded in our lending and investment practices and written in our lending risk and treasury credit risk policies. This states that "Various lending and investment opportunities are disqualified from the Bank's lending origination business for ESG (Environment, Social, and Governance) exclusion criteria. Credit is for consumer lending and can only be provided to individuals or Members. Therefore the Bank does not provide finance (i.e. directly lend to, invest in, buy equity or debt) to corporations that operate in these industries: fossil fuels (coal, oil and gas – exploration for and extraction of reserves, exports, combustion for power generation, major suppliers to the oil, coal and gas industries)." In addition, 98% of products sold (wholesale, retail deposits and mortgages) are Certified as Responsible Investment by RIAA based on these fossil fuel industry exclusions.
Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy	For the 10th year since 2012, the Bank (including its subsidiary entities) is net zero and carbon neutral for Scope 1 (vehicle fuel and natural gas) and Scope 2 (electricity) greenhouse gas (GHG) emissions. 100% of the Banks' electricity consumption is from renewable energy. 99% of electricity consumption is sourced from green power, with 1% from offsets. In addition, 19% of electricity is provided by solar PV on our office roofs. Emissions from gas and fuel use are covered by offsets, all of which are from renewable energy.
Reduce our total emissions and emissions intensity	The Bank has tracked and reported its energy emission reductions for 1, 3 and 7 year periods since 2016. From FY2021 to FY2022, Scope 1 and 2 emissions dropped 17%, partly due to lower office occupancy and also a 47% reduction in our car fleet. Since FY2016, the Bank has increased total assets by 88% while reducing its underlying emissions by 56%. Over this seven-year period, annual Scope 1 and 2 GHG emissions reduced from 2,093 tCO^2-e to 920 tCO^2-e (-56%). Total assets increased from $5.5 billion to $10.4 billion (+88%). Members increased from 177,000 to 230,345 (+30%). The number of offices occupied doubled from 6 to 12. In terms of assets, the Bank's emissions intensity reduced by 77% from 0.38 to 0.09 tCO^2-e per $million of assets. Since FY2016, the Bank has invested $938,000 in emissions reduction measures at its buildings, and these have contributed to reductions and avoidance of emissions. 84% of this spend is on solar PV (641 PV panels, 3,300 LEDs and 2 EV cars), with less than 1% for carbon offsets. Given the Bank's growth in offices and employee numbers, emissions would have increased even more in a business-as-usual scenario without these measures.
Mandate and embed sustainability in our supply chain Vendor Management Framework (VMF) for all material strategic and major suppliers	The Vendor Management Framework and Policy are being updated, with a strengthened set of sustainability criteria.
Set RIAA Certification for Responsible Investment as the standard for products	RIAA Certification covers all new retail deposits, mortages and wholesale products, which represent approximately 98% of all products sold by the Bank. Products, such as credit cards, cannot be certified by RIAA.
All Executive and Management have sustainability KPIs in their performance reviews	Sustainability is a core value and so multiple KPIs and targets are intrinsic to all performance-related component of Executive, Management and people leader roles.
Mandatory sustainability training for all employees	This course was taken offline in December 2021 and is currently under redevelopment. Up to that point, 439 staff had completed the training.
Percentage of the balance sheet comprised of RIAA products	At June 30, there are $10.8 billion in RIAA Certified products on the balance sheet, comprising $5 billion of assets (47.6%) and $5.8 billion of liabilities (59%).
Number of staff completed sustainability training	439

Responsible operations

Targets	Results
Mandatory installation of solar PV and LEDs for all new owned buildings	We have not added any new buildings to the portfolio this year. We invested $115,000 in LEDs for the lighting upgrade at the Homebush HQ office.
All new building leases to be minimum 4 stars on National Australian Built Environment Rating System (NABERS)	No new retail offices were added to our portfolio.
Purchase electric cars and implement fast charging stations for our staff and Members	Two electric Kia Neo cars are in use and we have ordered 3 more. A request for purchase for 7 charging stations at 3 sites (Homebush, WSRO and Brisbane) has been issued. We set ambitious new goals for our car fleet to be 50% electric vehicles (EVs) by 2025 and 100% by 2027.
Implement water saving initiatives in all of our facilities	We continue to install 5 star WELS taps in all upgrades. We replaced our gardens at Homebush and Western Sydney Regional offices with native plants that do not need watering.
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 reduced by 66% from 32.3 tonnes to 12.4 tonnes.
50% of waste generated is diverted from landfill	54% of waste was diverted from landfill.
Paper recycled	11.7 tonnes
Paper use per employee (kg/FTE)	Paper use per employee reduced from 571 to 22.8 (kg/FTE).
Waste generated per employee	24kg/FTE
Electricity generated by solar panels	201,207kWh
Emissions intensity (tCO^2-e per million $ of assets)	0.11
Total electricity consumed	1,091,065 kWh was consumed and 99% of this was sourced from green power.
3% of business support purchasing to be sourced from indigenous enterprises	6.4% of Business Support Purchases are sourced from Supply Nation Certified products.

Noteworthy numbers

10

Years the Bank has been net zero and carbon neutral for Scope 1 and Scope 2 GHG emissions

$10.8bn

RIAA Certified Responsible Investment products on the balance sheet

100%

electricity consumption from renewable energy

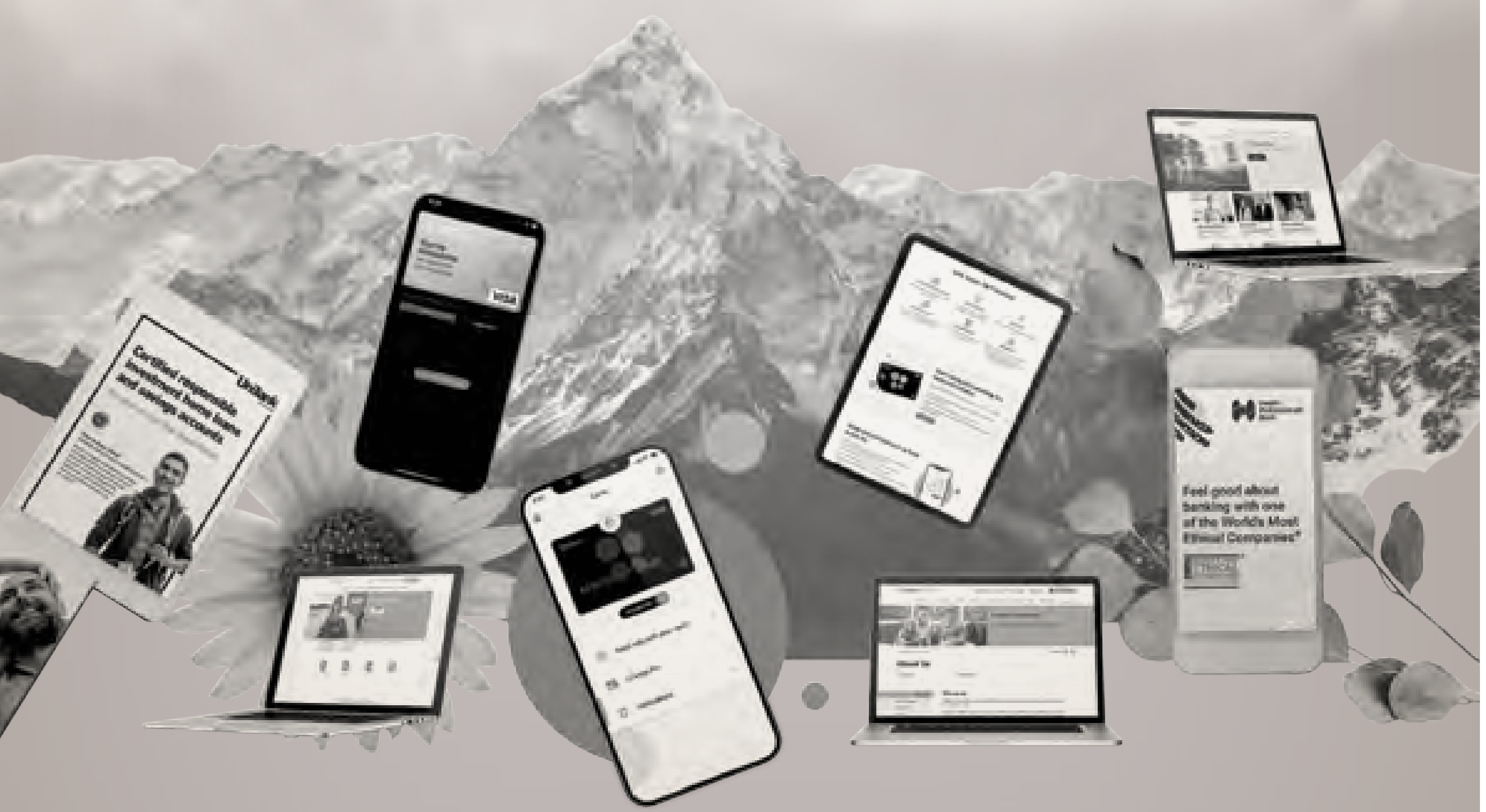
Mapping our targets to the UN Sustainable Development Goals

SDG	Our most relevant targets	Page (s)
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 Hardship package. • Employee giving and donations. • Total investment into the community. • Staff volunteering. • Increase engagement and reach for employee volunteer days and charity support.	18 and 19
3 GOOD HEALTH AND WELL-BEING	• Wellbeing is integral to every employee's role. • Employee engagement rating.	25 and 26
4 QUALITY EDUCATION	• Number of annual training hours per employee. • Support Cufa's mission to end poverty in the Asia Pacific and fund the Children's Financial Literacy program in Cambodia. • All employees to complete annual performance reviews and annual development plans. • Total investment into the community.	19 and 26
5 GENDER EQUALITY	• Zero tolerance to discrimination, harassment and bullying. • Percentage of women in leadership positions. • Percentage of staff in flexible workplace arrangements. • Exceed the ASX average of the percentage of females in Board, Executive and Management positions. • Zero tolerance to discrimination, harassment and bullying. • Strengthen our Diversity and Inclusion Strategy.	25
6 CLEAN WATER AND SANITATION	• Mandatory sustainability training for all employees. • Implement water saving initiatives in all of our facilities.	32 and 33
7 AFFORDABLE AND CLEAN ENERGY	• Purchase electric cars and implement fast charging stations for our staff and Members. • Electricity generated by solar panels (kWh). • Reduce our total emissions and emissions intensity. • Emissions intensity (tCO^{2}-e per million \$ of assets). • Total electricity consumed (GJ). • Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy. • All new building leases to be minimum 4 stars on NABERS.	32 and 33

SDG	Our most relevant targets	Page (s)
8 DECENT WORK AND ECONOMIC GROWTH	• Percentage of staff in flexible workplace arrangements. • Maintain employee engagement at or above 80%. • 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. • Measure, report and benchmark Net Promoter Score (NPS) and satisfaction scores for Members (including in our Contact Centre).	18, 25 and 26
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Set as standard that banking products exclude fossil fuel industry investment. • Enforce strict responsible investment criteria to our total balance sheet, including lending and investment policies. • Set RIAA Certification for Responsible Investment as the standard for products. • Percentage of the balance sheet comprised of RIAA products. • Set socially responsible products as the standard for our Members and investors.	10 and 32
10 REDUCED INEQUALITIES	• Increase partnerships and engagement with Aboriginal and Torres Strait Islander peoples. • Strengthen our Diversity and Inclusion Strategy. • Percentage of women in leadership positions. • 3% of business support purchasing to be sourced from indigenous enterprises. • Exceed the ASX average of the percentage of females in Board, Executive and Management positions.	19 and 25
11 SUSTAINABLE CITIES AND COMMUNITIES	• Undertake a strategic review of our community investment approach. • 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. • Invest a minimum of 5% of net profits after tax (NPAT) in the community. • Total investment into the community.	18 and 19
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Mandate and embed sustainability in our supply chain Vendor. • Vendor Management Framework (VMF) for all material strategic and major suppliers. • Mandatory sustainability training for all employees. • Reduce paper consumption by 50% and 100% of paper purchased to be from a certified sustainable source. • 50% of waste generated is diverted from landfill. • Paper recycled (tonnes). • Waste generated per employee (kg/FTE). • Waste diverted from landfill (%). • Paper use per employee (kg/FTE). • 3% of business support purchasing to be sourced from indigenous enterprises.	32 and 33

SDG	Our most relevant targets	Page (s)
13 CLIMATE ACTION	• Set as standard that banking products exclude fossil fuel industry investment. • Advance fossil fuel-free banking. • Attain net zero emissions from Scope 1 and 2, and source carbon offsets from renewable energy. • Reduce our total emissions and emissions intensity. • Mandatory installation of solar PV and LEDs for all new owned buildings. • All new building leases to be minimum 4 stars on 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).	10, 32 and 33
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Strengthen our governance, policies and operations to ensure that the Bank is run for people, planet and profit. • Benchmark to global standards on reporting, transparency and verification. • Ensure our values of Advocacy, Sustainability and Passion are embedded at the core of the organisation's culture. • Ensure our complaint processes are effective, efficient and result in 95% of complaints being resolved within 14 days. • Complaints registered with an External Dispute Resolution authority not to exceed 5% of total complaints made to the Bank. • No external loss of data that results in a major breach of policy. • Complaint referrals received from the Australian Financial Complaints Authority (AFCA). • Percentage of all employees trained in code of conduct and whistle-blower policies. • Number of whistle-blower incidents per year. • Promote a zero tolerance culture for corruption and fraud. • 100% of employees trained in Bank policies and procedures per year. • Percentage of women in leadership positions. • Determination in the clients favour not to exceed 10% of cases registered with an external dispute resolution authority.	10, 18, 25 and 26
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 liaise 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. • Increase partnerships and engagement with Aboriginal and Torres Strait Islander Peoples. • 3% of business support purchasing to be sourced from indigenous enterprises. • Set socially responsible products as the standard for our Members and investors.	10, 18, 19 and 33

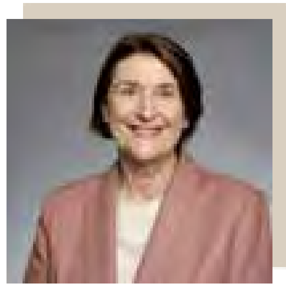
Directors' Report & Financial Statements



Directors’ report

The Board of directors of Teachers Mutual Bank Limited (“the Bank”) present their report together with the Financial Statements for the financial year ended 30 June 2022. The Bank is a company registered under the *Corporations Act 2001*.

All Board members are independent Directors who must satisfy the Fit and Proper criteria established by APRA and must abide by our Code of Conduct, which outlines their legal and ethical obligations. The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements. The Board conducts an annual review of its performance, along with reviews of individual Directors, committees and the Executive.



Maree O'Halloran AM (Chair)

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

Ms O’Halloran was appointed to the position of Chair in August 2019. She is currently a Legal Consultant 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 Chairperson 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 People & Remuneration Committee, the Risk & Compliance Committee and Nominations Committee.

Andrew McCready (Deputy Chair)

BSc, A Fin

Mr McCready is a Leading Station Officer in Fire + Rescue NSW and is a Supervisor at 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 Chair of the Board People & Remuneration Committee and is a member of the Audit Committee.

Murat Dizdar (Director)

B.Ed (Secondary Humanities)

Mr 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 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. The division also oversees strategic partnerships in the arts, sport, high performing students, community languages and international students. Mr Dizdar presides over the Bushfire Strategy, which supports communities devastated by the 2019/2020 fires, and the Connected Communities directorate, which strengthens 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. Professor Verity Firth (Director)

BA, LLB, GAICD

The Hon. Professor Verity Firth is the Pro Vice-Chancellor (Social Justice & Inclusion) at the University of Technology Sydney, and is the Director of the University's Centre for Social Justice and Inclusion.

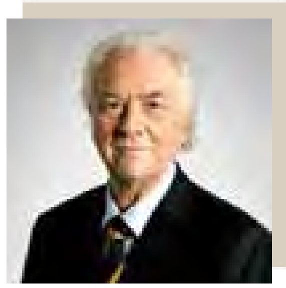
Professor Firth has over fifteen years' experience at the very highest levels of government and the not-for-profit sector in Australia. Over the last fifteen years, she has been working in the Australian education sector, first as Minister for Education and Training in New South Wales (2008-2011) and then as the Chief Executive of the Public Education Foundation.

As Minister for Education and Training she focused 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), Professor Firth led the Foundation's transformation from a fledgling organisation into a major provider of scholarships and support to public education. She also helped the sector negotiate $5 million in seed funding for a new charity for disadvantaged schools.

Professor Firth was the Member for the state seat of Balmain from 2007 to 2011. Before her parliamentary career, she worked as a lawyer and was Deputy Lord Mayor of the City of Sydney.

Professor Firth is a member of the Nominations Committee.



Emeritus Professor William Ford (Director)

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

Emeritus Professor William 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 admission as a Barrister and Solicitor to the 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.

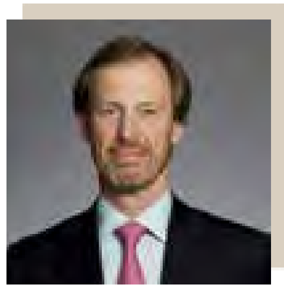
Professor Ford is a Fellow and former Vice President of the Australian Academy of Law.

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

Linda Green (Director)

Dip. Teach, B.Ed (Primary Education), M.Ed. (Educational Leadership), GAICD

Mrs 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 a member of the Board People & Remuneration Committee, a member of the Audit Committee, and the Teachers Mutual Bank Advisory Committee.



Andrew Kearnan (Director)

GAICD, MBA, BSc (Hons)

Mr Kearnan is a Director of Teachers Mutual Bank Limited and Chair of the Audit Committee.

He is also a Director of various RACQ entities, UniMutual Limited, Nimble Money Limited, PetSure Australia Pty Ltd and the Australian Shareholders' Association. He chairs the Board for UniMutual and chairs the Audit Committees for Nimble and the ASA. He runs an advisory business, providing corporate finance, strategic and capital markets advice to businesses across the maturity spectrum.

Mr Kearnan has an Honours degree in Science (Biochemistry), an MBA, and has held executive and board positions at leading financial service sector institutions including Bank of America Merrill Lynch, Commonwealth Bank of Australia, Hollard Insurance, Greenstone Financial Services and other similar entities. He is a past Member of the Australian Accounting Standards Board and was consistently rated as one of Australia's top equity market research analysts in the Australian and Asian financial services sector over multiple years. He has completed the AICD Company Directors Course (GAICD).

Michael O'Neill (Director)

BEc, BEd, Grad Dip Acct, GAICD

Mr O'Neill is an experienced company director with broad industry experience covering financial services, funds management, superannuation, health, sport and technology. He has held a number of non-executive roles including Chairman of Gymnastics Victoria from 2014-2019 and Chair of the Board Audit and Risk Committee at The Royal Women's Hospital from 2018-2022. Mr O'Neill has over 25 years' experience as a financial services executive across organisations including NAB, KPMG and ANZ. His executive background includes broad experience in finance, risk and governance disciplines, having held executive 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 holds a Bachelor of Economics, Bachelor of Education and Graduate Diploma in Accounting from Monash University. He is a Graduate of the Australian Institute of Company Directors and was previously a Fellow of the Finance & Treasury Association.

Mr O'Neill is Chair of the Risk and Compliance Committee, a member of the Board Audit Committee, and People and Remuneration Committee.

Melissa Reynolds (Director)

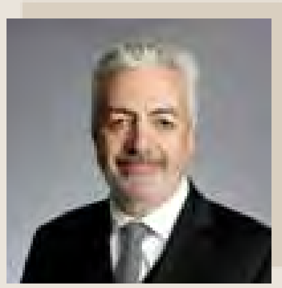
BEc, MComm, GAICD

Ms 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, branding, distribution and digital transformation.

Ms Reynolds is Chair of the Technology & Innovation Advisory Committee and a member of the Board Risk and Compliance and Board People & Remuneration committees. Her other directorships include Non-Executive Director iSelect (ASX:ISU), Non-Executive Director Colonial Foundation, Director Deep Brain Stimulation Technologies Ltd and Council member Genazzano FCJ College.

Ms Reynolds 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.

Company Secretary



Fred Taweel (Company Secretary)

MAICD B.Bus (Bus. Admin), Grad. Dip. App Corp Gov, FGIA FCGI (CS, CGP), FIIA (CIA), CFE

As Company Secretary, Mr 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.

Fred is active in both national and global banking spheres, with his leadership and service recognised by being honoured with Life Membership of the Mutuals Audit and Governance Professionals Institute (MAGPI). He is committed to ensuring that 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' meeting attendance

The number of meetings of Directors meetings or Committees held during the year and the number of meetings attended by each Director is as follows:

	Board		Audit			People & Remuneration			Nominations			Risk & Compliance		
	H	A	H	A	OA	H	A	OA	H	A	OA	H	A	OA
Maree O'Halloran	14	14	-	-	5	6	6	-	-	-	-	6	6	-
Murat Dizdar	14	14	-	-	-	-	-	-	-	-	-	-	-	-
Verity Firth	14	14	-	-	-	-	-	-	2	2	-	-	-	-
William Ford	14	14	3	3	2	6	6	-	-	-	-	6	6	-
Linda Green	14	14	5	5	-	6	6	-	-	-	-	-	-	-
Andrew Kearnan	14	14	5	5	-	-	-	1	-	-	-	-	-	6
Andrew McCready	14	14	5	5	-	3	3	3	2	2	-	3	3	3
Michael O'Neill	14	14	5	4	-	6	6	-	-	-	-	6	6	-
Melissa Reynolds	14	14	-	-	2	6	6	-	-	-	-	6	6	-
Meetings held	**14**	**-**	**5**	**-**	**-**	**6**	**-**	**-**	**2**	**-**	**-**	**6**	**-**	**-**

H = Meetings held in the period of appointment
A = Attended as member
OA = Optional attendance
Note: A leave of absence was granted where a Director was unable to attend any of the above meetings.
Note: A standing invitation is issued to Directors that they may attend other committee meetings at any time.

Directors' benefits

No Director has received, or became entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Bank, 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 30 of the financial report.

Indemnifying officers or auditors

Insurance premiums have been paid to insure each of the Directors and officers of the Bank against costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an officer of the Bank. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Bank.

Financial performance disclosures

Principal activities

The principal activities of the Bank during the year were the provision of retail financial services to Members in the form of taking deposits and the giving of financial accommodation as prescribed by the Bank's Constitution.

No significant changes in the nature of these activities occurred during the year.

Operating results

The net profit of the Bank for the year after providing for income tax was $30.4 million (2021: $28.1 million).

Dividends

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

Review of operations

The Bank's operations from its activities of providing retail financial services to university graduates as well as employees in the Education, Emergency Services and Health sectors, and their families, did not change significantly from those of the previous year.

Our net profit after tax was $30.4 million, 8% higher than the prior year (2021: $28.1 million). Lending growth remained above system, increasing by $768.4 million or almost 10%. This was funded by the Bank's high liquidity position. Retail deposits grew $468 million (6%) and wholesale funding grew $148 million (15%).

Compared to the previous year, net interest margins increased by $10 million despite the margins dropping by 0.10% to 1.61%. Member fee revenue fell by $1.5 million and commissions remained flat. Other revenue was $3.9 million lower.

Operating costs were kept tight, increasing by less than 0.5%. The downward trend in bad debts written off has continued, reducing by $132,000 on FY2021 to $765,000. Again, the recoveries of prior years' write offs at $809,000 was greater than the current year's losses.

When assessing the Bank's credit provisioning, the Bank took into consideration both its recent low delinquency and loss positions, and a view of future economic developments including the very low unemployment rate, slowing domestic and global economy, central banks increasing interest rates, high inflation and moderation in house prices. The Bank considered the pressure of increasing lending rates coupled with inflation on borrowers' repayment capacity. The Bank has maintained its provision near that of last year, a minor $134,000 reduction.

On 1 November 2021, Pulse Credit Union Limited (Pulse) merged into Teachers Mutual Bank Limited as part of the Health Professionals Bank Division and the UniBank Division. At the time of merger, Pulse had $130 million in assets including $43 million in loans to Members, $124 million in liabilities including $122 million in deposits and $6 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 within one week of the merger. The non-recurring costs associated with the merger incurred in FY2022 amounted $461,000 in payments to suppliers with support from existing staff totalling $797,000.

The Bank also received a special dividend on its shareholding in Cuscal Limited of $1,178,439 fully franked, which is not expected to be repeated. This was offset by a devaluation of the share values of $1.1 million through other comprehensive income.

In addition to the $30.4 million profit, for the first time the Bank sought valuations on all its land and buildings portfolio, revaluing the holdings by $31.2 million net of potential capital gains tax of $5 million, adding $26.2 million to capital. The merger of Pulse added a further $6.1 million, bringing total capital to $674.1 million as at 30 June 2022. This was sufficient to support growth and improve the prudential capital adequacy ratio to 14.70% as compared to 14.06% in FY2021.

Significant changes in state of affairs

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

Events occurring after the end of the reporting date

On the 20 July 2022, with the approval of APRA, the Bank gave notice of exercise of early redemption at the option of the Issuer (Issuer call) on 7 September 2022 on the $20 million Floating Rate Subordinated Notes due 7 September 2027. These notes were included in the Bank's Tier 2 Prudential Capital Ratio.

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

Likely developments and results

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

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

in the financial years subsequent to this financial year, other than that discussed under "Events occurring after the end of the reporting date" above and in the notes to the accounts.

Environmental legislation

The Bank 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.

Auditor's independence declaration

The auditors have provided their declaration of independence to the Board as prescribed by the *Corporations Act 2001* (Cth) (the Corporations Act) as set out on page 45 and forms part of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Bank, or to intervene in any proceedings to which the Bank is a party, for the purpose of taking responsibility on behalf of the Bank for all or part of those proceedings.

Regulatory disclosures

The disclosures required by Prudential Standard APS 330 Public Disclosure (namely, the Common Disclosure in Attachment A and the Regulatory Capital reconciliation) may be seen on the Bank's website at https://www.tmbl.com.au/about/reports-and-disclosures.

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.

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
Chair

Andrew Kearnan
Director and Chair of the Audit Committee

Signed and dated this 29th day of August 2022.

Auditor's independence declaration

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

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 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell
Partner – Audit & Assurance

Melbourne, 29 August 2022

www.grantthornton.com.au
ACN-130 913 594

[illegible]

Financial Statements and Notes

Notes to the financial statements

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 | **Auditors:** Grant Thornton Audit Pty Ltd, Level 17, 383 Kent Street Sydney NSW 2000

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Interest revenue calculated using effective interest method	5(a)	208,893	217,912
Interest expense	5(b)	(46,260)	(65,297)
Net interest revenue		**162,633**	**152,615**
Fee and commission revenue	5(c)	13,090	14,688
Other income	5(d)	4,751	10,778
Net operating income		**180,474**	**178,081**
NON-INTEREST EXPENSES			
Impairment losses on financial assets	5(e)	(765)	(897)
General administration	5(f)	(137,363)	(136,790)
Total non-interest expenses		**(138,128)**	**(137,687)**
Profit before income tax		**42,346**	**40,394**
Income tax expense	6(a)	(11,956)	(12,320)
Profit after income tax		**30,390**	**28,074**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
- Net movement on cash flow hedges	22	67	661
Items that will not be reclassified subsequently to profit or loss:			
- Revaluation of land and buildings	22	26,157	-
- Changes in fair value of equity financial assets held at fair value through other comprehensive income (FVOCI)	22	(1,133)	4,327
Total other comprehensive income		**25,091**	**4,988**
Total comprehensive income for the period		**55,481**	**33,062**

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

Statement of financial position

At 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Cash and cash equivalents	7	171,198	215,667
Receivables	9	12,540	13,225
Other financial assets	10	1,492,010	1,567,039
Prepayments and other assets	11	6,690	6,154
Derivative assets held for hedging purposes	12	1,099	82
Current tax assets	6(c)	989	1,084
Loans and advances to Members	8	8,674,980	7,903,547
Property, plant and equipment	13	68,362	35,950
Right-of-use assets	14(a)	2,475	3,311
Intangible assets	15	965	1,593
Deferred tax assets	6(d)	11,027	10,622
Total assets		**10,442,335**	**9,758,274**
LIABILITIES			
Wholesale sector funding	17	596,204	603,356
Retail deposits	18	8,597,528	8,129,612
Creditors, accruals and settlement accounts	19	22,850	17,765
Derivative liabilities held for hedging purposes	12	1,099	158
Current tax liabilities	6(b)	698	364
Provisions	20	44,630	44,482
Borrowings	16	474,934	324,715
Lease liabilities	14(b)	2,629	3,401
Deferred tax liabilities	6(d)	7,583	1,854
Subordinated debt	21	20,053	20,037
Total liabilities		**9,768,208**	**9,145,744**
Net assets		**674,127**	**612,530**
MEMBERS' EQUITY			
Reserves	22	30,261	29,466
Retained earnings		643,866	583,064
Total Members' equity		**674,127**	**612,530**

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 2022

	Reserves $'000	Retained earnings $'000	Total Equity $'000
Balance at 1 July 2020	18,911	556,554	575,465
Total comprehensive income for the year	4,988	28,074	33,062
Subtotal	**23,899**	**584,628**	**608,527**
Receipts from transfer upon merger	-	4,003	4,003
Transfers to (from) reserves	5,567	(5,567)	-
Total at 30 June 2021	**29,466**	**583,064**	**612,530**
Balance at 1 July 2021	29,466	583,064	612,530
Total comprehensive income for the year	25,091	30,390	55,481
Subtotal	**54,557**	**613,454**	**668,011**
Receipts from transfer upon merger	-	6,116	6,116
Transfers to (from) reserves	(24,296)	24,296	-
Total at 30 June 2022	**30,261**	**643,866**	**674,127**

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

Statement of cash flows

For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
OPERATING ACTIVITIES			
Inflows:			
- Interest received		208,435	217,238
- Fees and commissions		13,249	16,554
- Dividends received		1,637	131
- Other non-interest income received		1,669	7,909
Outflows:			
- Interest paid		(49,541)	(73,378)
- Suppliers and employees		(132,315)	(135,189)
- Income taxes paid		(11,538)	(12,785)
Net cash from revenue activities		**31,596**	**20,480**
Inflows (outflows) from other operating activities:			
- Loans and advances to Members (net movement)		(728,340)	(1,247,039)
- Retail deposits (net movement)		354,463	1,214,589
Net cash from operating activities	7(a)	**(342,281)**	**(11,970)**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		215	128
Purchase of property, plant and equipment		(1,883)	(3,628)
Purchase of intangible assets		(406)	(52)
Proceeds on sale of other investments		247	20
Deposits with other financial institutions (net movement)		147,066	(172,288)
Net cash received on transfer upon merger		10,125	2,432
Net cash from investing activities		**155,364**	**(173,388)**
FINANCING ACTIVITIES			
Decrease in wholesale sector (net movement)		(7,090)	(11,130)
Increase in borrowings		150,219	324,715
Lease principal payments		(681)	(715)
Net cash from financing activities		**142,448**	**312,870**
Net change in cash and cash equivalents		(44,469)	127,512
Cash at the beginning of the year		215,667	88,155
Cash at the end of the year	7	**171,198**	**215,667**

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

Notes to the financial statements

For the year ended 30 June 2022

1. Basis of preparation

a. Nature of operations

The principal activities of Teachers Mutual Bank Limited include the provision of retail financial services to Members in the form of taking deposits and giving financial loans to Members.

b. General information and statement of compliance

This financial report is prepared for the Bank for the year ended 30 June 2022. The general purpose financial statements of the Bank have been prepared in accordance with the requirements of the Corporations Act, the Australian Accounting Standards and with other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards ensures compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). 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 2022.

The report was authorised for issue on 29 August 2022, in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

c. 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.

d. Basis of Consolidation

The Group financial statements consolidate those of the Parent and all of its subsidiaries at 30 June 2022. All controlled entities have a reporting date of 30 June.

All transactions and balances between controlled entities are eliminated on consolidation, including unrealised gains and losses on transactions between controlled entities. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment. Amounts reported in the financial statements of controlled entities 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.

The subsidiary companies are dormant and in the process of being wound up and therefore the results of the Parent approximate those of the consolidated Group.

e. Foreign currency translations

Functional and presentation currency

These financial statements are presented in Australian dollars ('$AUD'), which is also the functional currency of Teachers Mutual Bank Limited.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

f. Repurchase agreement (repo) securitisation trust consolidation

The Bank has created the EdSec Funding Trust No.1 Repo Series No. 1 Securitisation Trust (the "Trust") which holds rights to a portfolio of mortgage-secured loans to enable the Bank to secure funds from the Reserve Bank of Australia (RBA), if required, to meet emergency liquidity requirements. The Bank continues to manage these loans and received all residual benefits from the Trust and bears all losses should they arise. Accordingly, the Trust meets the definition of a controlled entity and the assigned loans are presented as assets of the Bank.

The Bank has elected to present one set of financial statements to represent both the Bank as an individual bank and consolidated bank on the basis that the impact of consolidation is not material to the Bank.

2. New standards and interpretations applicable for the current year

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2021:

- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021

AASB 2021-3 extends by one year the application period of the practical expedient in AASB 16 Leases to help lessees account for Covid-19-related rent concessions. The Bank has not received any rent related concessions during the financial year and as such the amendment had no impact on the financial report at the date of adoption.

3. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank

Certain standards have been issued by the AASB that are not yet effective. The Bank has considered these accounting standards and determined that their impact on the Bank and its financial statements will be immaterial.

4. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they are not included in other notes below.

a. Goods and services tax

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

Revenue, expenses and assets are recognised net of the amount of GST. To the extent that the full amount of the GST is not recoverable from the Australian Tax Office (ATO), the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

b. Accounting estimates and judgements

Management have made judgements when applying the Bank's accounting policies with respect to:

• Derecognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer to Note 32

• Recognition of credit losses based on "Stage 1" 12 month expected losses, "Stage 2" and "Stage 3" lifetime expected credit losses, and determining the criteria for significant increases in credit risk – refer to Note 8

• Valuation of shares in unlisted companies – refer to Note 10

• Fair value of land and buildings – refer to Note 13

• Determination of lease term – refer to Note 14

• Determination of software as a service (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.

c. Rounding of amounts

The Bank has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and Directors' report have been rounded off to the nearest $1,000, or in certain cases, the nearest dollar.

5. Statement of profit or loss and other comprehensive income

a. Interest revenue calculated using the effective interest method

	2022 $'000	2021 $'000
INTEREST REVENUE		
Receivables from financial institutions	9,860	9,693
Loans and advances to Members	192,305	206,816
Derivatives interest income	6,701	1,381
Other	27	22
Total interest revenue	**208,893**	**217,912**

b. Interest expense

	2022 $'000	2021 $'000
INTEREST EXPENSE		
Overdraft	12	25
Borrowings	4,046	5,770
Retail deposits	35,363	57,403
Derivatives interest expense	6,768	1,734
Other	71	365
Total interest expenses	**46,260**	**65,297**

c. Fee and commission revenue

	2022 $'000	2021 $'000
FEE AND COMMISSION REVENUE		
Loan fee income – other than loan origination fees	2,805	4,304
Other fee income	1,545	1,617
Insurance commissions	3,838	3,540
Other commissions	4,902	5,227
Total fee and commission revenue	**13,090**	**14,688**

d. Other income

	2022 $'000	2021 $'000
OTHER INCOME		
Dividends received	1,637	131
Bad debts recovered	809	1,109
Gain on disposal of assets	458	140
Transfers from provisions:		
- Reversal of impairment losses on loans and advances	161	698
- Long service leave	-	800
- Sick leave	16	-
JobKeeper payment	-	6,252
Miscellaneous revenue	1,670	1,648
Total other income	**4,751**	**10,778**

e. Impairment losses on financial assets

	2022 $'000	2021 $'000
FINANCIAL ASSETS		
Increase in provision for impairment	-	-
Bad debts written off directly against profit	765	897
Net impairment losses – financial assets	**765**	**897**

f. General administration

	2022 $'000	2021 $'000
Employee benefits	80,872	81,693
Transaction costs	16,286	15,132
Information technology costs	15,954	15,209
Research, marketing and sponsorships	5,871	6,226
Office occupancy	3,450	3,412
Professional fees	2,401	2,523
Depreciation expenses	4,081	4,467
Amortisation expenses	1,034	1,078
Loss on disposal of property, plant and equipment	186	85
Other administration costs	6,979	6,738
Subtotal	**137,114**	**136,563**
EMPLOYEE BENEFITS INCLUDE		
Net movement in provisions for employee annual leave	28	352
Net movement in provisions for employee long service leave	694	-
Superannuation expense	6,569	6,311
AUDITOR'S REMUNERATION		
Audit fees	217	195
Other services – compliance	22	26
Other services – other	10	6
Total auditor's remuneration	**249**	**227**
Total general administration	**137,363**	**136,790**

Recognition and measurement

Interest revenue

Loans receivables and deposits – 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.

Credit cards – 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 the statement period, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment, provided that the closing balance is paid in full or before statement due date.

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 revenue where the Bank is informed that a Member is deceased or 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 revenue over the expected life of the loan, and included as part of interest revenue.

Non-interest revenue

Loan and account fees – The fees charged on loans after origination of the loan are recognised as revenue when the service is provided or costs are incurred.

The Bank's performance obligation is to provide ongoing services related to account maintenance, a service from which the Members benefit as the service is provided and is recognised over time. Due to the nature of the services, they are recognised as a series of services comprising a single performance obligation. Unless otherwise discounted and included in the initial measurement of a loan, fees are charged at their stand-alone selling price and recognised as revenue in the period for which services are delivered. Where fees are discounted due to other relationships, the fees are estimated and recognised as a contract liability measured at the estimated value of the promised service, based on their stand-alone selling price and estimated period of delivery.

Insurance commissions – Commissions earned are related to a single performance obligation, being the successful placement of insurance policies with the third party insurer.

6. Taxation

a. Income tax expense

(i) The income tax expense comprises amounts set aside as:

	2022 $'000	2021 $'000
Current tax provision	12,370	11,987
Adjustments for previous years	(626)	110
Total current income tax expense	**11,744**	**12,097**
DEFERRED TAX		
Origination and reversal of temporary differences	212	223
Write-down and/or reversal of previous write-down of a deferred tax asset	-	-
Total movement in temporary differences	**212**	**223**
Income tax expense	**11,956**	**12,320**

(ii) The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	2022 $'000	2021 $'000
Profit before income tax	**42,346**	**40,394**
Prima facie tax payable on profit before income tax at 30%	12,704	12,118
Add: Tax effect of expenses not deductible	84	43
Less: Tax effect of income not assessable	(3)	(1)
Subtotal	**12,785**	**12,160**
Add: Adjustments to recognise deferred tax assets	288	89
Add: Previously unrecognised tax losses now recouped to reduce current tax charge	-	305
Less: Overprovision of tax in prior years	(626)	(195)
Less: Franking rebate	(491)	(39)
Income tax expense attributable to current year profit	**11,956**	**12,320**

(iii) Franking credits:

	2022 $'000	2021 $'000
Franking credits held by the Bank after adjusting for franking credits that will arise from the payment of income tax payable at the end of the financial year.	244,207	232,670

b. Current tax liabilities

	2022 $'000	2021 $'000
Current income tax liability (refundable)	157	(37)
Other tax liabilities	541	401
Total taxation liabilities	**698**	**364**
CURRENT INCOME TAX LIABILITY COMPRISES		
Balance, previous year	(37)	809
Refunded (paid) for prior year	481	(761)
Over statement in prior year	(638)	(48)
Liability for income tax in current year	12,370	11,987
Instalments paid in current year	(12,019)	(12,024)
Current income tax liability (refundable)	**157**	**(37)**

c. Current tax assets

	2022 $'000	2021 $'000
GST debtor	650	615
Other	339	469
Total taxation assets	**989**	**1,084**

d. Deferred tax assets and liabilities

	2022 $'000	2021 $'000
DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Net gain on revaluation of land and buildings	5,717	-
Unrealised gain on asset held at fair value	1,369	1,854
DEFERRED TAX ASSETS		
Accrued expenses not deductible until incurred	162	185
Provisions for impairment on loans	1,719	1,797
Provisions for employee benefits	7,197	6,876
Provisions for other liabilities	1,285	1,401
Depreciation on fixed assets	226	233
Amortisation of intangible assets	438	130
Deferred tax assets	**11,027**	**10,622**
DEFERRED TAX LIABILITIES		
Tax due on assets held at FVOCI	1,369	1,854
Tax due revalued property held in equity	5,717	-
Other	497	-
Deferred tax liabilities	**7,583**	**1,854**
DEFERRED TAXES, NET		
Deferred tax assets	11,027	10,622
Deferred tax liabilities	(7,583)	(1,854)
Deferred tax asset, net	**3,444**	**8,768**

Recognition and measurement

Income tax expense

Tax expense recognised in the statement of profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the ATO and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Management also considers whether it is probable that a taxation authority will accept an uncertain tax treatment and measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences arising between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Bank and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantially enacted by the end of the reporting period, currently 30% (2021: 30%).

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Bank's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Bank has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of property, plant and equipment) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

The Bank undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The Bank estimates the amount expected to be paid to / (recovered from) taxation authorities based on the Bank's understanding and interpretation of law, including case law. Where the Bank considers it probable that the tax treatment applied in the current or historic periods is not probable to be accepted by the taxation authority, it is included within current or deferred taxes, as appropriate.

The Bank and its wholly-owned Australian controlled entities have implemented a tax-consolidated group in accordance with the tax consolidation legislation. As a consequence, these entities are taxed as a single entity.

7. Cash and cash equivalents

	2022 $'000	2021 $'000
Cash on hand	643	1,050
Cash and deposits at call with other financial institutions	170,555	214,617
Total cash and cash equivalents	**171,198**	**215,667**

Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value, and includes restricted balances of $55 million, representing the Bank's security deposit obligations with Cuscal Limited which are not available for use to the Bank.

Recognition and measurement

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the RBA and cash on deposits and call accounts with other Authorised Deposit-taking Institutions (ADIs) and other short-term, highly liquid investments that are readily convertible and subject to insignificant risk of changes in value

Bank overdrafts that are repayable on demand and form an integral part of the Bank's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

Cash and cash equivalents are carried at amortised cost in the statement of financial position. Interest is brought to account using the effective interest method.

a. Reconciliation of cash from operations to accounting profit

	2022 $'000	2021 $'000
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax for the period	30,390	28,074
Adjustments for:		
- Impairment of loan and advances	765	897
- Depreciation, amortisation and impairment	5,115	5,548
- Provision for employee entitlements	706	(433)
- Other provisions	(736)	808
- Profit on disposal of plant and equipment	(29)	(32)
- Profit on disposal of other investments	(175)	-
- Bad debts recovered	(809)	(1,109)
NET CHANGES IN ASSETS AND LIABILITIES		
Receivables	(694)	1,302
Prepayments and other assets	(442)	(2,177)
Creditors, accruals and settlement accounts	698	(5,030)
Interest payable	(3,933)	(6,933)
Unearned income	334	(264)
Change in loans and advances to Members	(728,340)	(1,247,039)
Change in retail deposits	354,463	1,214,589
Change in current income tax	194	(843)
Change in deferred taxes	212	672
Net cash from operating activities	**(342,281)**	**(11,970)**

8. Loans and advances to Members

a. Gross carrying amounts of loan and advances

	2022 $'000	2021 $'000
Overdrafts and credit cards	67,678	71,190
Term loans	8,574,295	7,802,360
Overdrawn savings	88	122
Subtotal	**8,642,061**	**7,873,672**
Add: Amortised loan origination transaction costs and broker commission, net of fees	38,649	35,739
Subtotal	**8,680,710**	**7,909,411**
Less: Provision for impaired loans (Note 8(b))	(5,730)	(5,864)
Net loans and advances to Members	**8,674,980**	**7,903,547**

	2022 $'000	2021 $'000
MATURITY ANALYSIS – GROSS LOANS AND ADVANCES		
1-29 days	139	286
30-89 days	99	193
90-365 days	2,435	3,120
366 days and above	8,639,388	7,870,073
Total	**8,642,061**	**7,873,672**

Recognition and measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus directly attributable 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 and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Bank considers all contractual terms of the loan or advance excluding any expected credit losses (ECLs). Included in this calculation are all fees paid or received that are integral to the contract.

Broker trail commission asset is based on the net present value of the expected future trail commission expenses. An equivalent broker trail provision is held within provisions.

b. Impairment of loan and advances

	2021 $'000				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total
Balance at 30 June 2020	701	2,404	3,457	-	6,562
Changes in loss allowance:					
- Transfer to Stage 1	61	(36)	(25)	-	-
- Transfer to Stage 2	(3)	14	(11)	-	-
- Transfer to Stage 3	(2)	(302)	304	-	-
Charge to income statement:					
- Bad debt written off	(2)	(99)	(338)	-	(439)
- Loans paid out	(147)	(686)	(811)	-	(1,644)
- Current loans	2,088	(923)	(1,529)	-	(364)
- New loans and advances	1,593	73	83	-	1,749
Balance at 30 June 2021	**4,289**	**445**	**1,130**	**-**	**5,864**

	2021 $'000				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total
Impairment charge	3,532	(1,635)	(2,595)	-	(698)
Bad debt recovered	-	-	-	-	-
Change to impairment of loans and advances 30 June 2021	3,532	(1,635)	(2,595)	-	(698)

	2022 $'000				
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total
Balance at 30 June 2021	4,289	445	1,130	-	5,864
Changes in loss allowance					
- Transfer to Stage 1	12	(5)	(7)	-	-
- Transfer to Stage 2	(15)	24	(9)	-	-
- Transfer to Stage 3	(9)	(51)	60	-	-
Charge to income statement				-	
- Bad debt written off	(4)	(68)	(212)	-	(284)
- Loans paid out	(1,157)	(96)	(320)	-	(1,573)
- Current loans	(1,173)	668	377	-	(128)
- New loans and advances	1,264	310	277	-	1,851
Balance at 30 June 2022	**3,207**	**1,227**	**1,296**	**-**	**5,730**
Impairment charge	(1,070)	814	122	-	(134)
Bad debt recovered	-	-	-	-	-
Change to impairment of loans and advances 30 June 2022	(1,070)	814	122	-	(134)

	2022 $'000	2021 $'000
DEFAULT ANALYSIS		
Neither past due not impaired	8,523,945	7,738,579
Past due but not impaired	89,254	92,178
Impaired	28,862	42,915
Total	**8,642,061**	**7,873,672**

	2022 $'000	2021 $'000
GROSS LOANS AND ADVANCES WHICH ARE PAST DUE BUT NOT IMPAIRED		
1 - 29 days	78,853	76,045
30 - 89 days	7,706	9,313
> = 90 days	2,695	6,820
Total	**89,254**	**92,178**

Recognition and measurement

Provision for impairment of loans and advances reflects ECLs measured using the three-stage approach prescribed under AASB 9 Financial Instruments.

- Stage 1 – Performing – less than 30 days past due;
- Stage 2 – Under-performing – 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;
- Stage 3 – Non-performing – 90 or more days past due; and

ECL is calculated on the debit balance for Stage 1 and exposure for Stages 2 and 3. The probability of default (PDs) for each product set varies for each Stage (e.g. Stage 3 has a PD of 100%) while the loss given default (LGD) remains constant across all stages for each product set.

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

- Financial assets that are not credit impaired at the reporting date – the value of all cash shortfalls (i.e., the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- Financial assets that are credit impaired at the reporting date – as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments – as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and

The critical assumptions used in the calculation are as set out in the sections below. Note 23 details the credit risk management approach for loans.

Key assumptions in determining ECL

Measurement of ECL

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

- PD;
- LGD;
- Exposure at default (EAD); and
- Discounting.

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below. The chosen PDs and LGDs represent the average over a five-year period.

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

LGD is the magnitude of the likely loss if there is a default. 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.

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

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

Grouping of similar assets

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

The Bank has elected to use the following segments when assessing credit risk for Stages 1 and 2 of the impairment model:

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

Impact of movements in gross carrying amount on impairment of loan and advances

The following explains how significant changes in the gross carrying amount of loans and advances during the 2022 financial year have contributed to the changes in the impairment of loans and advances for the Bank under the ECL model.

Overall, the total impairment of loans and advances decreased by $0.1 million (2021: $0.7 million). This net decrease was driven by a decrease in the collective provisioning.

Collective provisioning decreased by $0.1 million compared to the balance at 30 June 2021, which comprised of:

Stage 1: 12 months ECL not credit impaired – decreased $1.1 million:

- $1.2 million decrease in collective provision repaid, experienced movement in underlying loan balances or migrated from Stage 1 to Stage 2 or Stage 3 because of deterioration of credit quality.

Stage 2 Lifetime ECL not credit impaired – increased $0.4 million:

- $0.9 million increase during the year due to loans and advances that experienced movement in underlying loan balances or migrated to Stage 2 as a result of deterioration of credit quality from Stage 1 or improved credit quality from Stage 3; and
- Offset by $0.2 million decrease of collective provision attached to existing loans and advances exiting Stage 2 and migrating to Stage 1 because of improved credit quality or migrating to Stage 3 as result of credit deterioration.

Stage 3: Lifetime ECL credit impaired – decreased $0.1 million:

- $0.9 million increase during the year due to loans and advances that experienced movement in underlying loan balances or migrated to Stage 3 a result of deterioration of credit quality from Stage 1 and Stage 2; and
- Offset by $0.4 million of collective provision attached to existing loans and advances exiting Stage 3 and migrating to Stage 1 and Stage 2 because of improved credit quality.

Significant increase in credit risk

The Bank is not required to develop an extensive list of factors in defining a 'significant increase in credit risk'. In assessing significant increases in credit risk where a loan or group of loans must move to Stage 3, the following factors have been considered in the Bank's current model:

- Loans more than 90 days past due;
- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise; and/or
- Increasing probability that the borrower will enter bankruptcy or other financial reorganisation.

When determining whether the risk of default on a loan has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert judgement, relevant external factors and including forward-looking information.

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 unless the Bank has reasonable and supportable information that demonstrates otherwise.

Incorporation of forward-looking information

The approach to determining the ECL includes forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Given the lack of loss experience by the Bank and across the wider industry, and the relative stable economic environment in Australia for a long period, future projections are subject to uncertainty and judgement. Consideration has also been given to the level of undue cost and effort involved in utilising complex statistical models, which is not considered appropriate for the size and complexity of the portfolio.

The Bank has considered other forward-looking considerations such as the impact of future unemployment rates, property prices, other economic indicators and regulatory change when constructing and weighting the scenarios.

This is reviewed and monitored for appropriateness on an annual basis. The Bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of other potential 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 and other emerging social and economic changes that may have an impact on a borrower's repayment ability, fluctuations in the value of collateral 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.

Included within the provisions for impairment at 30 June 2022 is a $3.9 million overlay (2021: $3.7 million) in recognition for the expected ongoing impact of COVID-19, consideration of both the Banks's recent low delinquency and loss positions, and a view of future economic developments including: the very low unemployment rate; a slowing economy both domestically and globally; escalated geopolitical pressures; global supply chain disruptions; central banks worldwide increasing interest rates, which impact directly on lending rates, coupled with high inflation potentially placing pressure on borrower's repayment capacity; and moderation in house prices.

This overlay is a weighted combination of the historical ECL model and two of the Bank's models based on an unfavourable economic environment and an extreme economic environment.

Forward-looking economic assumptions in the model include credit deterioration in the retail lending portfolio modelled assuming higher PD and LGD estimates projected from the Bank's past experiences of delinquency in each product type in relation to changes in Australian economic indicators.

In view of the volatility, uncertainty, complexity and ambiguity of the economy and global events, ECL may ultimately vary from what has been determined, despite the best efforts of the Bank.

Write-off

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (i) ceasing enforcement activity; and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2022 was $0.6 million. The Bank may seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Modifications

The Bank 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 judgement 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. The Bank 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 2022 was $23,255,390.

Use of judgements and estimates

The Bank reviews individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. Judgement by Management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward-looking information available at the time. Actual results may differ, resulting in future changes to the allowance.

Credit risk management for loans and advances

Information about the methods and assumptions used in determining fair value is provided in Note 27 and information about credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Bank's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statements of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held in the event that other entities/parties fail to perform their obligations under the financial instruments in question. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Bank holds collateral against loans and advances to Members, held in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

The majority of the portfolio of the loan book is secured on residential property in Australia. Therefore, the Bank is exposed to risks in the reduction of the Loan to Value (LVR) cover should the property market be subject to a decline. The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The board policy is to maintain at least 60% of the loans in well secured residential mortgages which carry an 80% loan LVR or less. Note 8(c) describes the nature and extent of the security held against the loans held at the reporting date.

c. Credit quality – security held against loans

	2022 $'000	2021 $'000
Secured by mortgage over business assets	179	194
Secured by mortgage over real estate	8,507,645	7,733,757
Partly secured by goods mortgage	10,263	10,478
Wholly unsecured	123,974	129,243
Total	**8,642,061**	**7,873,672**

It is not practicable to value all collateral 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:

	2022 $'000	2021 $'000
SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:		
LVR of less than 80%	6,428,156	5,794,583
LVR of more than 80% but mortgage insured	1,381,583	1,540,006
LVR of more than 80% with First Home Loan Deposit Scheme guarantee	561,706	275,932
LVR of more than 80%, not mortgage insured and no First Home Loan Deposit Scheme guarantee	136,200	123,236
Total	**8,507,645**	**7,733,757**

d. Concentration of loans

Concentration risk is a measurement of the Bank's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Bank's regulatory capital (10%), a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

Concentration risk – industry

The Bank has a concentration in the retail lending for Members who are employed in the education and emergency services sector. This concentration is considered acceptable on the basis that the Bank was formed to service these Members, and the employment concentration is not exclusive. Should Members leave the industry, the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans.

The values discussed below include on-statement of financial position values and off-statement of financial position undrawn facilities as described in Note 28.

i) There are no Members who individually or collectively have loans that 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.

	2022 $'000	% of total loan portfolio	2021 $'000	% of total loan portfolio
BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:				
NSW Department of Education	1,439,394	16.66%	1,504,599	19.11%
Aware Super	141,108	1.63%	148,933	1.89%
WA Department of Education	127,995	1.48%	123,341	1.57%
ACT Department of Treasury	112,290	1.30%	120,698	1.53%
QLD Department of Education	84,205	0.97%	76,928	0.98%
Catholic Education Office	83,484	0.97%	78,032	0.99%
NSW Fire and Rescue	74,755	0.87%	70,309	0.89%

	2022 Number	2021 Number
NUMBER OF MEMBERSHIPS WITH LOANS THAT ARE RECEIVING PAYMENTS FROM:		
NSW Department of Education	9,372	10,133
Aware Super	4,228	4,186
WA Department of Education	537	505
ACT Department of Treasury	485	526
QLD Department of Education	336	336
Catholic Education Office	366	357
NSW Fire and Rescue	401	411

iii) Geographical concentrations including loan balances and loan financial commitments in Notes 28(a), 28(b) and 28(c).

	2022 $'000				2021 $'000			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	5,334,431	402,722	2	5,737,155	5,115,385	409,170	33	5,524,588
Victoria	1,209,263	28,176	326	1,237,765	919,312	22,374	108	941,794
Queensland	1,014,050	22,703	-	1,036,753	886,066	21,070	-	907,136
Western Australia	859,425	27,389	484	887,298	792,189	28,946	637	821,772
Australian Capital Territory	453,584	16,456	-	470,040	428,771	15,235	-	444,006
South Australia	114,325	2,169	-	116,494	89,803	1,979	-	91,782
Tasmania	72,360	2,436	-	74,796	67,154	1,936	-	69,090
Northern Territory	32,825	1,983	-	34,808	25,573	1,882	-	27,455
Other	20	5,750	-	5,770	116	5,460	-	5,576
Total	**9,090,283**	**509,784**	**812**	**9,600,879**	**8,324,369**	**508,052**	**778**	**8,833,199**

iv) Concentration of loans by purpose:

	2022 $'000	2021 $'000
LOANS TO NATURAL PERSONS		
Residential loans and facilities	9,090,283	8,324,369
Personal loans and facilities	509,784	508,052
Subtotal	**9,600,067**	**8,832,421**
LOANS TO CORPORATIONS		
Loans to corporations	812	778
Business loans and facilities	**9,600,879**	**8,833,199**

e. Securitised loans

The values of securitised loans which are not qualifying for derecognition as the conditions do not meet the criteria in AASB 9.

The Bank also monitors the investment options in the market based on the credit rating of the counterparty. An analysis of concentrations of investment credit risk at the reporting date is shown below:

	2022 $'000	2021 $'000
EdSec Funding Trust No.1	2,089,073	2,034,342
SHORT TERM RATINGS (STANDARD AND POOR'S OR EQUIVALENT)		
A1	2,089,073	2,034,342
Total	**2,089,073**	**2,034,342**
LVR SUMMARY		
0% – 60%	962,253	863,700
60.01% – 80%	873,505	854,471
80.01% – 90%	229,702	254,389
90.01% – 100%	23,613	61,782
Total	**2,089,073**	**2,034,342**

9. Receivables

	2022 $'000	2021 $'000
Interest receivable on deposits with other financial institutions	2,578	3,168
Sundry debtors and settlement accounts	9,962	10,057
Total receivables	**12,540**	**13,225**

Recognition and measurement

Receivables are recognised and accounted for as financial assets classified as amortised cost.

Interest on receivables due from other financial institutions is recognised on an effective yield basis.

Credit risk management

The Bank continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The Bank's policy is to deal only with credit-worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Collateral – Receivables

Receivables consist of a large number of customers in various industries and geographical areas. The Bank does not hold any security on the receivables balance

Impairment – Receivables

The Bank applies the AASB 9 simplified model of recognising lifetime ECLs for all receivables as these items do not have a significant financing component. In measuring the ECLs, the trade receivables have been assessed on an individual risk basis due to nature of the receivables. In most instances, receivables would not share the same credit risk characteristics. Receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. In respect of receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

10. Other financial assets

	2022 $'000	2021 $'000
AMORTISED COST		
Due from other financial institutions:		
- Term deposits	650	1,010
- Negotiable certificates of deposit	148,446	525,198
- Covered bonds	31,630	-
- Floating rate notes	1,110,740	775,355
- Bonds	13,417	5,074
- Residential mortgage backed securities	37,786	55,460
- Other (EdSec)	76,360	80,039
Due from central borrowing authorities:		
- Floating rate notes	61,144	60,257
- Bonds	1,752	53,137
FVOCI:		
- Equity instruments: Shares in unlisted entities	10,038	11,462
- Equity instruments: Investments in controlled entities	47	47
Total value of other financial assets	**1,492,010**	**1,567,039**

Other financial assets include restricted balances of $76 million (2021: $80 million) which represents deposits held in securitisation trust collection accounts which are not available to the Bank.

Recognition and measurement

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

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

- Amortised cost;
- Fair value through profit or loss (FVPL); and
- Equity 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 in the statement of profit or loss and other comprehensive income.

Classifications are determined by both:

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

Amortised cost

Financial assets are classified at amortised cost when they are held within a business model to solely collect contractual cash flows and the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest (SPPI). Amortised cost is calculated by taking into account any discount or premium on the issue of the asset and costs that are an integral part of the effective interest rate.

Gain and losses are recognised in the statement of profit or loss when the financial asset are derecognised or impaired.

Fair value through profit or loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value FVPL. Further, irrespective of business model financial assets whose contractual cash flows are not SPPI 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.

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of profit or loss in the period in which they arise.

FVOCI

Equity instruments at 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. This category includes unlisted equity entities:

	2022 $'000		2021 $'000	
FAIR VALUE MEASUREMENT FOR SHARES IN UNLISTED EQUITIES	Fair value	Carrying value	Fair value	Carrying value
Cuscal Limited	10,038	5,475	11,433	5,145
TransAction Solutions Limited (TAS)	-	-	29	20
Total	**10,038**	**5,475**	**11,462**	**5,165**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

Cuscal is an ADI that supplies settlement, transaction processing, card, interchange and other services to organisations including mutual banks, credit unions and building societies. The 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 $1.10 per share is a reasonable approximation of fair value based on the likely value available on a sale.

The Bank does not intend to dispose of these shares.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. There were no changes to any of the Bank's business models during the current year (2021: Nil).

11. Prepayments and other assets

	2022 $'000	2021 $'000
Prepaid insurances	641	187
Prepaid related information technology	3,978	3,714
Research, marketing and sponsorship	570	902
Prepaid software as a service	253	169
Other	1,248	1,182
Total	**6,690**	**6,154**

Recognition and measurement

Prepaid software as a service (SaaS)

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over a contract period. As such, the Bank does not receive a software intangible asset at the contract commencement date.

The accounting treatment of costs incurred in relation to SaaS arrangements are set out below:

- Fee for use of application software and customisation costs are recognised as an operating expense over the term of the service contract; and
- Configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense as the service is received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets. Please refer to Note 15.

Critical judgements in determining whether configuration and customisation services are distinct from the SaaS access

Implementation costs, including costs to configure or customise the cloud provider's application software, are recognised as operating expenses when the services are received. Where the SaaS arrangement supplier provides both configuration and customisation services, judgement has been applied to determine whether each of these services are distinct or not from the underlying use of the SaaS application software. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not. During the financial year, the Bank recognised $253,000 (2021: $169,000) as prepayments in respect of licence fees for the use of application software and customization costs in implementing SaaS arrangements which are considered not to be distinct from the access to the SaaS application software over the contract term.

Critical judgements in capitalisation of configuration and customisation costs in SaaS arrangements

In implementing SaaS arrangements, the Bank has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. During the financial year, the Group recognised $0 (2021: $0) as intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements.

12. Derivative assets held for hedging purposes

The tables below provide the fair values and notional amounts of derivative financial instruments held by the Bank. 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 27.

Derivatives designated as cash flow hedges

	2022 $'000		2021 $'000	
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	1,099	1,099	82	158

Net movement on derivatives during the year

NET MOVEMENT ON DERIVATIVES DURING THE YEAR	2022 $'000	2021 $'000
Recognised in interest income	9	374
Recognised to other comprehensive income	67	661
Total	**76**	**1,035**

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

	2022 $'000			2021 $'000		
	Pay Fixed	Receive Fixed	Notional Amount	Pay Fixed	Receive Fixed	Notional Amount
Within 1 year	-	-	-	16,000	-	16,000
>1 to 2 years	-	-	-	-	-	-
>2 to 3 years	-	-	-	-	-	-
>3 to 4 years	-	-	-	-	-	-
>4 to 5 years	-	-	-	-	-	-
>5 years	-	-	-	-	-	-
Total	**-**	**-**	**-**	**16,000**	**-**	**16,000**

Edsec Funding Trust No. 1 (see Note 32) 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 Bank 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.

Recognition and measurement

Interest rate swaps

The Bank 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 Bank 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 are 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 27. Movements in the hedging reserve are provided at Note 22.

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 profit or loss and other 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, 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.

13. Property, plant and equipment

	2022 $'000	2021 $'000
Land, at fair value (2021: at cost)	**42,918**	**10,040**
Buildings, at fair value (2021: at cost)	19,960	36,124
Less: Accumulated depreciation	(1,620)	(18,130)
Net building	**18,340**	**17,994**
Total land and buildings	**61,258**	**28,034**
Plant and equipment, at cost	37,291	35,951
Less: Accumulated depreciation	(30,766)	(28,763)
Total plant and equipment	**6,525**	**7,188**
Capitalised leasehold improvements, at cost	1,361	1,357
Less: Accumulated amortisation	(782)	(629)
Total capitalised leasehold improvements	**579**	**728**
Total property, plant and equipment	**68,362**	**35,950**

a. Revaluation of land and building class

Effective 31 March 2022, the Bank adopted the fair value model to the land and building class. On the adoption of the fair value model, the carrying amount of the land and building class was $30.2 million (net of tax $26.2 million) and the valuations performed by independent valuers estimated the fair value at $61.4 million. The revaluation increment in the carrying amount of $31.2 million was credited to the property revaluation reserve in other comprehensive income.

b. Carrying amount that would have been recognised if land and building class was carried under the cost model

	2022 $'000	2021 $'000
Land, at cost	**13,382**	**10,040**
Buildings, at cost	35,289	36,124
Less: Accumulated depreciation	(18,757)	(18,130)
Net building	**16,532**	**17,994**
Carrying amount, land and buildings	**29,914**	**28,034**

c. Movement in asset balances during the year

2021 $'000	Land	Building	Plant & equipment	Leasehold improvement	Total
Carrying amount at 1 July 2020	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)
Carrying amount at 30 June 2021	**10,040**	**17,994**	**7,188**	**728**	**35,950**

2022 $'000	Land	Building	Plant & equipment	Leasehold improvement	Total
Carrying amount at 1 July 2021	10,040	17,994	7,188	728	35,950
Additions	3,342	(458)	1,821	25	4,730
Revaluation increment	29,536	1,713	-	-	31,249
Less: Assets disposed	-	(175)	(11)	(18)	(204)
Less: Depreciation charge	-	(734)	(2,473)	(156)	(3,363)
Carrying amount at 30 June 2022	**42,918**	**18,340**	**6,525**	**579**	**68,362**

Recognition and measurement

Land and building class is measured at fair value, net of accumulated depreciation and impairment losses. Any revaluation increments are credited to the property revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to profit or loss. Revaluation decreases are debited to profit or loss unless it directly offsets a previous revaluation increase in the same asset in the property revaluation reserve. Revaluations are performed every 3 years or more often if there are significant movements in land and building values.

Plant, equipment and leasehold improvement classes are measured at cost, net of accumulated depreciation and impairment losses.

Buildings, plant, equipment and leasehold improvements are depreciated on a straight-line basis, net of their residual values, over their expected useful life. Residual values and useful lives are reviewed and adjusted at each reporting date where appropriate. Estimated useful lives at the balance date are:

- Buildings – 40 years;
- Leasehold improvements – the term of the lease or expected life if it is shorter; and
- Plant and equipment – 2.5 to 15 years.

14. Leases

a. Right-of-use assets

	2022 $'000	2021 $'000
Property	3,845	3,971
Less: Accumulated depreciation	1,479	962
Total property	**2,366**	**3,009**
Office equipment	687	677
Less: Accumulated depreciation	578	375
Total office equipment	**109**	**302**
Total right-of-use assets	**2,475**	**3,311**

Movement in the asset balances during the year were:

	2021 $'000		
	Office Building	Office 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**

	2022 $'000		
	Office Building	Office Equipment	Total
Opening balance	3,009	302	3,311
Additions	40	-	40
Other adjustments	(166)	10	(156)
Less: Disposals	-	-	-
Less: Depreciation charge	(517)	(203)	(720)
Closing balance	**2,366**	**109**	**2,475**

The Bank 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 Bank classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 13).

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 Bank's leasing activities by type of right-of-use asset recognised on the balance sheet.

Certain leases are subject to extension options and termination options which are exercisable by the Bank.

RIGHT-OF-USE ASSET CLASS	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	No of leases with termination options
Office building	4-7 years	6 years	3	-	-	-
Office equipment	1 year	1 year	-	-	-	-

b. Lease liabilities

	2022 $'000	2021 $'000
Current	563	644
Non-current	2,066	2,757
Total lease liabilities	**2,629**	**3,401**

Future minimum lease payments at 30 June 2022 were as follows:

	MINIMUM LEASE PAYMENTS DUE			
30 JUNE 2021	Within 1 year	Between 2-5 years	After 5 years	Total
Lease payments	(725)	(2,374)	(585)	(3,684)
Finance charges	81	180	22	283
Net present values	(644)	(2,194)	(563)	(3,401)

	MINIMUM LEASE PAYMENTS DUE			
30 JUNE 2022	Within 1 year	Between 2-5 years	After 5 years	Total
Lease payments	(687)	(2,008)	(315)	(3,010)
Finance charges	124	240	17	381
Net present values	(563)	(1,768)	(298)	(2,629)

The total cash outflow for leases in 2022, including leases of low-value assets was $976,843 (2021: $773,428).

Recognition and measurement

At inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To apply this definition, the Bank assesses whether the contract meets the following three key evaluations:

- The contract contains an identified asset, which is either explicitly identified in the contract, or implicitly specified by being identified at the time the asset is made available to the Bank;
- The Bank has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- The Bank has the right to direct the use of the identified asset throughout the period of use. The Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Bank as a lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the Bank 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 Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Bank 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 Bank at the end of the lease term or the Bank 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 Bank's incremental borrowing rate is used, being the rate that the Bank 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 Bank 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 at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase option if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease unless the Bank 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 Bank'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 Bank 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.

	2022 $'000	2021 $'000
Short-term leases	-	-
Leases of low-value assets	286	66
Variable lease payments	-	-
Total	**286**	**66**

Bank as a lessor

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

The Bank assesses at the lease commencement date whether it is reasonably certain to exercise (or not exercise) the extension options.

The lease term is reassessed if an option is actually exercised (or not exercised) or if the Bank 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 Bank.

During the current financial year, the effect of revising lease terms and the incremental borrowing rate was an increase of $202,627 in the recognised lease liabilities and right-of-use assets (2021: $37,902).

15. Intangible assets

	2022 $'000	2021 $'000
Computer software, at cost	22,088	21,683
Less: Accumulated amortisation	(21,123)	(20,090)
Total intangible assets	**965**	**1,593**

Movement in balances during the year:

	2022 $'000	2021 $'000
Opening balance	1,593	2,619
Additions	406	52
Less: Amortisation charge	(1,034)	(1,078)
Less: Assets disposed	-	-
Closing balance	**965**	**1,593**

Recognition and measurement

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided that they meet the following recognition requirements:

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The Bank intends to, and has sufficient resources to, complete the project;
- The Bank has the ability to use or sell the software; and
- The software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Employee (excluding Director) directly attributable costs include software incurred costs for development along with an appropriate portion of relevant overheads and borrowing costs.

SaaS

SaaS arrangements are service contracts providing the Bank with the right to access the cloud provider's application software over a 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 expenses when the services are received. Costs incurred for the development of software code that creates additional capability to existing on-premise systems, and which meet the recognition criteria for an intangible asset, are recognised as intangible assets.

Subsequent measurement

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 maintenance of the component of intangible assets i.e., computer software maintenance/subscriptions 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 the statement of profit or loss within other income or other expenses.

At each reporting date, the Bank 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.

16. Borrowings

	2022 $'000	2021 $'000
Term Funding Facility	324,715	324,715
RBA Repo	150,219	-
Total borrowings	**474,934**	**324,715**

Class A notes of the Edsec Funding Trust No. 1 to the value of $507.3 million have been pledged as collateral to secure the Term Funding Facility 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.

Recognition and measurement

All borrowings are initially recognised at cost, being the fair value of the consideration received, net of direct incremental issue costs associated with the borrowings. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest method.

Standby borrowing facilities

The Bank has borrowing facilities as follows:

	2021 $'000		
	Gross	Current borrowing	Net available
Overdraft facility	5,000	-	5,000

	2022 $'000		
	Gross	Current borrowing	Net available
Overdraft facility	5,000	-	5,000

The Bank has an overdraft facility with Cuscal and maintains a security deposit of $55 million (2021: $53 million) with Cuscal to secure this facility and settlement services. No other form of security is provided by the Bank. Interest rates are variable, and at 30 June 2022 this facility was not used.

17. Wholesale sector funding

	2022 $'000	2021 $'000
Negotiable certificates of deposit on issue	354,715	236,744
Floating rate notes on issue	199,379	356,610
Wholesale deposits	42,111	10,002
Total wholesale sector funding	**596,204**	**603,356**

Recognition and measurement

Deposits from other financial institutions

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.

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

Premiums, discounts and associated issue expenses are recognised in the income statement using the effective interest method from the date of issue, to ensure the carrying value of securities equals their redemption value by maturity date. Interest is recognised in the statement of profit or loss 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.

18. Retail deposits

Retail deposits at amortised cost

	2022 $'000	2021 $'000
At call	5,883,129	5,031,343
Term	2,712,095	3,096,061
Member withdrawable shares	2,304	2,208
Total retail deposits	**8,597,528**	**8,129,612**

Recognition and measurement

All retail deposits are initially recognised at the fair value of the amount received adjusted for any transaction costs. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest expense on savings is brought to account on an accrual basis. Interest is recognised on an effective interest basis.

Concentration of retail deposits

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.

	2022 $'000	2021 $'000
BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:		
Aware Super	2,198,118	2,047,032
NSW Department of Education	850,408	803,152

	2022 No.	2021 No.
NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:		
Aware Super	16,293	16,232
NSW Department of Education	22,522	23,929

iii) Geographical concentrations are as follows:

	2022 $'000	2021 $'000
GEOGRAPHICAL CONCENTRATIONS		
New South Wales	7,034,195	6,780,796
Western Australia	399,826	397,525
Queensland	280,700	244,644
Australian Capital Territory	226,606	209,915
Victoria	439,952	282,032
Other	126,347	131,289
South Australia	40,405	37,050
Tasmania	33,919	32,550
Northern Territory	15,578	13,811
Total	**5,897,528**	**8,129,612**

19. Creditors, accruals and settlement accounts

	2022 $'000	2021 $'000
Creditors and accruals	5,116	4,375
Interest payable on borrowings	1,094	422
Unearned income	1,379	1,045
Settlement accounts	15,261	11,923
Total creditors, accruals and settlement accounts	**22,850**	**17,765**

20. Provisions

	2022 $'000	2021 $'000
Employee entitlements	23,264	22,558
Lease make good of premises	412	443
Broker trail commission	20,685	20,866
Tertiary Travel expenses	-	353
Director development	269	262
Total provisions	**44,630**	**44,482**

Provision movements comprise:

	2022 $'000	2021 $'000
EMPLOYEE ENTITLEMENTS		
Balance – previous year	22,558	22,992
Less: Paid	(8,819)	(7,694)
Liability increase	9,525	7,260
Balance – current year	**23,264**	**22,558**
LEASE MAKE GOOD OF PREMISES		
Balance – previous year	443	498
Less: Paid	(33)	(37)
Liability increase (decrease)	2	(18)
Balance – current year	**412**	**443**

	2022 $'000	2021 $'000
BROKER TRAIL COMMISSION		
Balance – previous year	20,866	18,827
Less: Paid	(6,908)	(5,624)
Liability increase	6,727	7,663
Balance – current year	**20,685**	**20,866**
DIRECTOR DEVELOPMENT		
Balance – previous year	262	206
Less: Paid	(6)	(20)
Liability increase	13	76
Balance – current year	**269**	**262**

Recognition and measurement

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions payable later than one year have been measured at the present value by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as financing costs

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 high quality corporate bonds 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.

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

Provision for long service leave is on a pro-rata basis from commencement of employment with the Bank based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at the reporting date. Annual leave is reflected as part of provisions.

The rates applied to give effect to the discount of cash flows were 2.380% to 3.800% (2021: 0.005% to 2.275%).

For FY2022, the May-22 Growth in the Wage Price Index (WPI) was used instead of CPI due to CPI volatility, with an average of 3.5% (2021: CPI at March 2021: 3.5%).

Leasehold make good

The Bank is required to restore the lease premises of its office building to their original condition at the end of the respective lease terms. Provision for make good costs on operating leases is recognised 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.

The rates applied to give effect to the discount of cash flows were 0.008% to 3.534% (2021: 0.010% to 1.648%).

Broker trail commission

Broker trail commission has been measured at the present value of the estimated future cash outflows to be paid for those benefits discounted using government-guaranteed securities of a similar term.

The rates applied to give effect to the discount of cash flows were 1.035% to 3.655% (2021: -0.020% to 1.485%).

21. Subordinated debt

	2022 $'000	2021 $'000
Subordinated debt	20,000	20,000
Accrued interest	53	37
Total subordinated debt	**20,053**	**20,037**

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

22. Reserves

2021 $'000	Cash flow hedge reserve	Redeemed Member share reserve	Property revaluation reserve	Equity FVOCI reserve	General reserve for credit losses	Total reserves
Balance at 1 July 2020	(728)	835	-	-	18,804	18,911
Cash flow hedges:						
- current year gains	661	-	-	-	-	661
Financial assets FVOCI:						
- current year gains / (losses) – items that will not be reclassified subsequently to profit or loss	-	35	-	6,181	5,532	11,748
Before tax	**(67)**	**870**	**-**	**6,181**	**24,336**	**31,320**
Tax benefit (expense)	-	-	-	(1,854)	-	(1,854)
Balance at 30 June 2021	**(67)**	**870**	**-**	**4,327**	**24,336**	**29,466**

2022 $'000	Cash flow hedge reserve	Redeemed Member share reserve	Property revaluation reserve	Equity FVOCI reserve	General reserve for credit losses	Total reserves
Balance at 1 July 2021	(67)	870	-	4,327	24,336	29,466
Cash flow hedges:						
- current year gains	67	-	-	-	-	67
Financial assets FVOCI:						
- current year gains / (losses) – items that may be reclassified subsequently to profit or loss	-	40	31,249	(1,618)	(24,336)	5,335
Before tax	**-**	**910**	**31,249**	**2,709**	**-**	**34,868**
Tax benefit (expense)	-	-	(5,092)	485	-	(4,607)
Balance at 30 June 2022	**-**	**910**	**26,157**	**3,194**	**-**	**30,261**

Recognition and measurement

Cash flow hedge reserve

The cash flow hedge reserve comprises fair value gains or losses associated with the effective portion of designated cash flow hedging instruments, net of tax. 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 12.

Redeemed Member share reserve

The redeemed Member share 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.

Property revaluation reserve

Property revaluation reserve represents the upward changes in the value of the property. When a revalued asset is subsequently disposed of, any remaining revaluation surplus is credited to retained earnings.

Equity FVOCI reserve

Please refer to Note 10.

General Reserve for Credit Losses (GRCL)

In line with APS 220, effective 1 January 2022, the GRCL has been released back to retained earnings.

23. Financial risk management objectives and policies

Overview of risk management framework

The Bank applies an enterprise risk management framework to development and implement strategies, policies, procedures and controls to manage the Bank's risk. The risks that the Bank 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 Bank's enterprise risk management framework. This responsibility includes approval of the framework, setting risk appetite and strategy, driving appropriate risk culture, monitoring and managing within the stated appetite, aligning policies and processes with 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, as the third line of defence, with review by the external auditor and the Board and its respective committees.

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 Bank'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 Bank has an Assets and Liability Committee, comprising Management, to manage the financial risk of the Bank. 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 Bank is not exposed to material currency or other price risk. The Bank does not trade the financial instruments it holds. The Bank is exposed to interest rate risk in the banking book arising from changes in market interest rates.

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

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 percentage of capital of the Bank.

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

The Bank 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 25. Note 26 displays the period that each asset and liability will reprice at the balance date.

Market risk – equity investments

The Bank 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 10.

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 Member withdrawal demands and other creditor commitments when requested, as well as appropriate forecasting and stress testing procedures.

The Bank 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 Bank borrow from the RBA.

The Bank has set out the maturity profile of the financial liabilities in Note 25, based on the contractual repayment terms.

The Bank 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 Bank is required to maintain a minimum 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Bank's liquidity policy 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 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 16 describes the borrowing facilities available at the balance date. The Bank also maintains a self-securitisation capability. Note 32 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.

	2022	2021
At 30 June	14.74%	16.71%
Average for the year	14.45%	16.56%
Minimum during the year	13.21%	15.64%
Total adjusted liabilities	**10,409,390,357**	**9,783,773,793**

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 Bank'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 28.

The risk of losses on loans is primarily reduced through the nature and quality of security taken. Note 8(c) describes the nature of the security held against the loans at the balance date.

All loans and facilities are within Australia. Geographic distribution is detailed in Note 8(d).

Concentrations are described in Note 8(d). The Bank 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 Bank's focus is to service these Members, the sectors are essential and stable sectors and employment concentration is not restricted to one employer. Should Members leave the sector, the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans.

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

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

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

Collateral securing loans

A sizeable portion of the loan book is secured against residential property in Australia. The Bank, 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.

Credit risk – investing

The Bank 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		$'000		
INVESTMENTS RATED:	No. of institutions	Carrying value	Past due value	Provision
A-1+ to A-1 (short-term)	8	633,335	-	-
A-2 or P-2 (short-term)	17	292,905	-	-
A-3 or P-3 (short-term)	1	6,972	-	-
AAA (long-term)	3	55,460	-	-
AA+ to AA- (long-term)	5	344,092	-	-
A to A- (long-term)	6	288,757	-	-
BBB+ to BBB or Baa1 (long-term)	8	148,626	-	-
Total		**1,770,147**	**-**	**-**

2022		$'000		
INVESTMENTS RATED:	No. of institutions	Carrying value	Past due value	Provision
A-1+ to A-1 (short-term)	6	373,942	-	-
A-2 or P-2 (short-term)	12	205,816	-	-
A-3 or P-3 (short-term)	-	-	-	-
AAA (long-term)	4	69,416	-	-
AA+ to AA-or Aa3 (long-term)	8	525,971	-	-
A to A- (long-term)	14	298,106	-	-
BBB+ to BBB or Baa1 (long-term)	8	179,229	-	-
Total		**1,652,480**	**-**	**-**

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses through the application of controls, whilst avoiding procedures that inhibit innovation and creativity. These controls are managed through the implementation of policies and systems to monitor the likelihood of the events and minimize the impact.

Systems of internal controls are enhanced through:

- The segregation of duties between employee duties and functions, including approval and processing duties;
- Documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- Implementation of the whistle-blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- Education of Members to review their account statements and report exceptions to the Bank promptly;
- Effective dispute resolution procedures to respond to Member complaints;
- Effective insurance arrangements to reduce the impact of losses; and
- Contingency plans for dealing with the loss of functionality of systems or premises or staff.

Operational risk management

The Bank 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, with review by the external auditor and the Board and its respective committees.

Cyber risk

The Bank is required to meet APRA's prudential standard CPS 234 Information Security and 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 Bank 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 Bank has systems, polices and processes in place that are considered to be robust enough to prevent any material fraud.

Outsourcing arrangements

The Bank 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

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 Bank, Cuscal:

i. Supplies to the Bank 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 Bank.

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 the Prudential Standards.

Market risk

The Bank 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.

Capital resources

Tier 1 capital

The majority of Tier 1 capital consists of common equity Tier 1 capital, which is our retained earnings along with reserves including asset revaluation reserve.

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 that 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 Bank 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.

	2022 $	2021 $
CAPITAL IS MADE UP AS FOLLOWS:		
Tier 1 Common equity	656,163,483	573,321,115
Less: Prescribed deductions	(14,493,752)	(21,868,919)
Tier 1 capital	**641,669,731**	**551,452,196**
Tier 2 Provision for credit losses	4,434,094	4,538,039
Tier 2 General reserve for credit losses	-	24,335,985
Tier 2 Subordinated debt	17,444,269	20,000,000
Tier 2 capital	**21,878,363**	**48,874,024**
Total capital	**663,548,094**	**600,326,220**

THE CAPITAL RATIO AT 30 JUNE OVER THE PAST 5 YEARS IS AS FOLLOWS:	2022	2021	2020	2019	2018
Tier 1 capital adequacy	14.21%	12.92%	14.12%	13.86%	14.63%
Tier 2 capital adequacy	0.49%	1.14%	1.18%	0.95%	1.02%
Total capital adequacy	14.70%	14.06%	15.30%	14.81%	15.65%

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 cycles effects and the macroeconomic environment.

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

Examples of Pillar 2 risk factors

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

Strategic risk

- Business environment, including opportunities

Credit risk

- Counterparty default risk

Operational risk

- Internal or external fraud
- Clients, products and business practices
- Business disruption

Market risk

- Liquidity – lack of diversification of funding sources
- Interest rate risk in the banking book

Internal capital adequacy management

The Bank 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 Bank'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 Bank is reassessed.

Contingency buffer for business cycle volatility

Based on historical fluctuations in capital, the Bank 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.

24. Categories of financial instruments

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

	Note	2022 $'000	2021 $'000
FINANCIAL ASSETS			
Financial assets – carried at amortised cost			
Cash and cash equivalents	7	171,198	215,667
Receivables	9	12,540	13,225
Other financial assets	10	1,481,925	1,555,530
Loans and advances to Members	8	8,674,980	7,903,547
Total carried at amortised cost		**10,340,643**	**9,687,969**
Financial assets – carried at fair value			
Other financial assets:			
- Shares in unlisted companies (at FVOCI)	10	10,038	11,462
- Investment in controlled entities	10	47	47
Derivative assets held for hedging purposes	12	1,099	82
Total financial assets		**10,351,827**	**9,699,560**

	Note	2022 $'000	2021 $'000
FINANCIAL LIABILITIES			
Financial liabilities – carried at amortised cost			
Wholesale sector funding	17	596,204	603,356
Retail deposits	18	8,597,528	8,129,612
Creditors, accruals and settlement accounts	19	22,850	17,764
Borrowings	16	474,934	324,715
Subordinated debt	21	20,053	20,037
Total carried at amortised cost		**9,711,569**	**9,095,484**
Financial assets – carried at FVOCI			
Derivative liabilities held for hedging purposes	12	1,099	158
Total financial liabilities		**9,712,668**	**9,095,642**

25. Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms and, in the case of loans, the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities 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 are 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.

2022 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 and cash equivalents	116,245	-	54,953	-	-	-	171,198	171,198
Receivables	10,077	1,543	2,878	58,238	-	-	72,736	12,540
Other financial assets	151,354	277,978	341,474	711,120	-	10,084	1,492,010	1,492,010
Loans and advances to Members	49,612	98,594	438,568	1,947,912	9,227,360	-	11,762,046	8,674,980
Derivative assets held for hedging purposes	1,099	-	-	-	-	-	1,099	1,099
Total financial assets	**328,387**	**378,115**	**837,873**	**2,717,270**	**9,227,360**	**10,084**	**13,499,089**	**10,351,827**

2022 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	97,399	231,000	149,105	131,097	-	-	608,601	596,204
Retail deposits	3,357,956	1,317,282	1,907,543	2,015,312	-	7,500	8,605,593	8,597,528
Creditors, accruals and settlement accounts	22,850	-	-	-	-	-	22,850	22,850
Derivative liabilities held for hedging purposes	1,099	-	-	-	-	-	1,099	1,099
Borrowings	150,219	-	-	324,715	-	-	474,934	474,934
Subordinated debt	-	-	-	-	24,246	-	24,246	20,053
Total financial liabilities	**3,629,523**	**1,548,282**	**2,056,648**	**2,471,124**	**24,246**	**7,500**	**9,737,323**	**9,712,668**

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 and cash equivalents	162,604	-	53,063	-	-	-	215,667	215,667
Receivables	12,302	284	2,626	25,861	-	-	41,073	13,225
Other financial assets	257,173	186,298	559,334	552,725	-	11,509	1,567,039	1,567,039
Loans and advances to Members	47,704	94,709	420,775	1,829,271	8,423,702	-	10,816,161	7,903,547
Derivative assets held for hedging purposes	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**

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
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
Derivative liabilities held for hedging purposes	106	35	17	-	-	-	158	158
Borrowings	-	-	-	324,715	-	-	324,715	324,715
Subordinated debt	-	-	-	-	23,534	-	23,534	20,037
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**

26. 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.

2022 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	> 5 years	Non-interest bearing	Total
Cash and cash equivalents	115,602	54,953	-	-	-	643	171,198
Receivables	-	-	-	-	-	12,540	12,540
Other financial assets	637,378	823,765	7,546	12,735	502	10,084	1,492,010
Loans and advances to Members	2,542,622	251,429	1,021,711	4,821,752	4,547	-	8,642,061
Derivative assets held for hedging purposes	1,099	-	-	-	-	-	1,099
Total financial assets	**3,296,701**	**1,130,147**	**1,029,257**	**4,834,487**	**5,049**	**23,267**	**10,318,908**

2022 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	196,288	330,191	48,844	20,020	-	861	596,204
Retail deposits	3,357,856	1,316,315	1,902,749	2,013,108	-	7,500	8,597,528
Creditors, accruals and settlement accounts	-	-	-	-	-	22,850	22,850
Derivative liabilities held for hedging purposes	1,099	-	-	-	-	-	1,099
Borrowings	150,219	-	-	324,715	-	-	474,934
Subordinated debt	-	20,000	-	-	-	53	20,053
On-statement of financial position	**3,705,462**	**1,666,506**	**1,951,593**	**2,357,843**	**-**	**31,264**	**9,712,668**
Undrawn loan commitments (see Notes 28(a), 28(b), 28(c)	958,817	-	-	-	-	-	958,817
Total financial liabilities	**4,664,279**	**1,666,506**	**1,951,593**	**2,357,843**	**-**	**31,264**	**10,671,485**

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 and cash equivalents	161,554	53,063	-	-	-	1,050	215,667
Receivables	-	-	-	-	-	13,225	13,225
Other financial assets	560,426	685,074	310,030	-	-	11,509	1,567,039
Loans and advances to Members	2,101,578	288,089	1,430,504	4,050,597	2,904	-	7,873,672
Derivative assets held for hedging purposes	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
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
Derivative liabilities held for hedging purposes	158	-	-	-	-	-	158
Borrowings	-	-	-	324,715	-	-	324,715
Subordinated debt	-	20,000	-	-	-	37	20,037
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 28(a), 28(b), 28(c)	959,523	-	-	-	-	-	959,523
Total financial liabilities	**4,219,767**	**1,406,166**	**2,383,567**	**2,019,282**	**-**	**26,383**	**10,055,165**

27. 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.

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 Bank 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.

	2022 $'000		2021 $'000	
ASSETS	Fair value	Carrying value	Fair value	Carrying value
Cash and cash equivalents	171,198	171,198	215,667	215,667
Receivables	12,540	12,540	13,225	13,225
Other financial assets	1,484,099	1,492,010	1,574,225	1,567,039
Loans and advances to Members	8,425,289	8,674,980	7,913,846	7,903,547
Derivative assets held for hedging purposes	1,099	1,099	82	82
Total financial assets	**10,094,225**	**10,351,827**	**9,717,045**	**9,699,560**
LIABILITIES				
Wholesale sector funding	592,030	596,204	605,008	603,356
Retail deposits	8,599,019	8,597,528	8,135,643	8,129,612
Creditors, accruals and settlement accounts	22,850	22,850	17,764	17,764
Derivative liabilities held for hedging purposes	1,099	1,099	158	158
Borrowings	474,934	474,934	324,715	324,715
Subordinated debt	20,053	20,053	20,037	20,037
Total financial liabilities	**9,709,985**	**9,712,668**	**9,103,325**	**9,095,642**

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 1.19% to 2.37% (2021: 0.01% to 0.42%). 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 3.04% to 11.99% (2021: 2.04% to 11.99%).

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.

Borrowings and retail deposits

Wholesale sector funding and retails 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 1.19% to 4.46% (2021: 0.06% to 0.31%).
- **Retail deposits:** The rates applied to give effect to the discount of cash flows were 0.06% to 0.84% (2021: 0.05% to 0.74%).

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 approximates their fair value.

Derivative held for hedging purposes

Cash flow hedge – Interest rate swaps fair value is determined using the present value of the future cash flows the Bank expects to pay or receive based upon current interest rates. This value is equivalent to the amount that the Bank would need to pay to terminate the swap.

Assets and liabilities measured at fair value on the statement of financial position

		Fair value measurement at end of the reporting period using:		
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	Balance	Level 1	Level 2	Level 3
Shares in unlisted companies	10,038	-	-	10,038
Investments in controlled entities	47	-	-	47
Land and buildings	61,258	-	-	61,258
Total	**71,343**	**-**	**-**	**71,343**

The fair value hierarchy has the following levels:

- **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).

Investments in controlled entities

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

Shares in unlisted companies at fair value through OCI

Due to the lack of publicly available data on the transfer of these shares, the Bank 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.

28. Financial commitments

a. Outstanding loan commitments

	2022 $'000	2021 $'000
Loans approved but not funded	224,992	241,916

b. Loan redraw facilities

	2022 $'000	2021 $'000
Loan redraw facilities available	435,717	414,805

c. Undrawn loan facilities

	2022 $'000	2021 $'000
LOAN FACILITIES AVAILABLE TO MEMBERS FOR OVERDRAFTS AND CREDIT CARDS ARE AS FOLLOWS:		
Total value of facilities approved	365,750	373,937
Less: Amount advanced	(67,642)	(71,135)
Net undrawn value	**298,108**	**302,802**

d. Future capital commitments

	2022 $'000	2021 $'000
THE BANK HAS ENTERED INTO A CONTRACT TO PURCHASE PLANT AND PROPERTY FOR WHICH THE AMOUNT IS TO BE PAID OVER THE FOLLOWING PERIODS:		
Not later than one year	-	-
Total	**-**	**-**

e. Computer capital commitments

	2022 $'000	2021 $'000
Not later than one year	-	-
Total	**-**	**-**

f. Lease expense commitments for low value

	2022 $'000	2021 $'000
OPERATING LEASES ON PROPERTY OCCUPIED BY THE BANK AND IT EQUIPMENT:		
Not later than one year	361	266
Later than one year but not five years	130	491
Total	**491**	**757**

29. Contingent liabilities

Liquidity support scheme

The Bank is a member of the Credit Union Financial Support System Limited (CUFSS), a company limited by guarantee, established to provide financial support to members Australian mutual ADI members in the event of a liquidity or capital problem. As a member, the Bank 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 Bank's total assets, capped at a maximum of $100 million. This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

Reserve Mutual Bank Repurchase Obligations (REPO) Trust

To support liquidity management, the ADI has entered into an agreement to maintain a portion of the mortgage backed loans as security against any future borrowings from the RBA as a part of the ADI's liquidity support arrangements.

Guarantees

	2022 $	2021 $
Bank guarantees provided for Members	473,236	1,307,460

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

30. Related party transactions and disclosure of transactions with directors and other key management personnel (KMP)

a. Remuneration of KMP

The KMP of the Bank are the members of the Board and members of the Executive Management. KMP remuneration includes the following expenses:

	2022 $'000					2021 $'000				
	Chair	Other Directors	CEO	Other KMP	Total	Chair	Other Directors	CEO	Other KMP	Total
a. Short-term employee benefits*	135	657	1,013	3,960	5,765	139	637	946	3,897	5,619
b. Post-employment benefits – superannuation contributions	13	65	100	262	440	13	60	104	216	393
c. Other long-term benefits – increases in long service leave provision	-	-	73	181	254	-	-	41	195	236
d. Termination benefits	-	-	-	-	-	-	-	-	479	479
e. Share-based payment	-	-	-	-	-	-	-	-	-	-
Total remuneration	**148**	**722**	**1,186**	**4,403**	**6,459**	**152**	**697**	**1,091**	**4,787**	**6,727**

*Short term benefits include movements in annual leave entitlements.

Remuneration shown as short-term employee benefits comprises wages, salaries and social security contributions, paid annual leave and paid sick leave, value of fringe benefits received, and excludes out-of-pocket expense reimbursements. All remuneration to Directors was approved by Members at the previous Annual General Meeting. Post-employment 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 family relatives of Directors and other KMP.

	2022 $'000			2021 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	43	-	74	-	-	114
Balance	2,333	-	6	1,513	-	6
Amounts disbursed or facilities increased in the year	1,957	-	20	669	-	-
Interest and other revenue earned	34	-	3	56	-	4

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

	2022 $'000	2021 $'000
Total value term and savings	1,970	2,368
Total interest paid on deposits	11	20

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 other related entities

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMPs.

The Bank's policy for receiving deposits from related parties is that all transactions are approved, and deposits accepted on the same terms and conditions which applied to Members for each type of deposit.

There are no benefits paid or payable to the close family members of the KMPs. There are no service contracts to which KMPs or their close family members are an interested party.

An attendance fee was paid to Graeme Green as chair of the Members Committee and member of the TMB Advisory Committee, amounting to $12,000 (2021: $4,035). Graeme Green is the spouse of Linda Green.

31. Segmental reporting

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

32. Transfers of financial assets

The Bank 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 Bank assigned an additional $940 million in loans (2021: $1.802 billion) to the Trust.

	2022 $'000	2021 $'000
Total amount of securitised loans under management	2,089,073	2,034,342

33. Events occurring after balance date

On 20 July 2022, with the approval of APRA, the Bank gave notice of exercise of early redemption at the option of the Issuer (Issuer call) on 7 September 2022 on the $20 million Floating Rate Subordinated Notes due 7 September 2027. These notes were included in the Bank's Tier 2 Prudential Capital Ratio.

No matters or circumstances have arisen since the end of the financial year and up until the date of this report which significantly affect the operations of the Bank, the results of those operations, or the state of affairs of the Bank in subsequent years.

34. Transfer of business

The Bank accepted a transfer of business from Pulse Credit Union Limited (Pulse), pursuant to the *Financial Sector (Business Transfer and Group Reconstruction) Act 1999* (Cth). Regulatory approval was obtained from APRA for the merger effective 1 November 2021. The primary reason for the merger was to consolidate the mutual interests of Pulse and the Bank to create a stronger organisation.

The consideration transferred was as follows:

	$'000 Fair Value Amount
Redeemable share reserve	41
Contributed equity	6,075
Acquisition-date-fair-value of acquirer's equity interest	6,116

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

	$'000 Carrying Value	$'000 Fair Value on Merger
ASSETS		
Cash and cash equivalents	10,125	10,125
Other financial assets	73,335	73,726
Loans and advances to Members	43,674	43,174
Property, plant and equipment	3,106	2,847
Deferred tax assets	103	119
Total assets	**130,343**	**129,991**
LIABILITIES		
Retail deposits	121,904	121,904
Creditor, accruals and settlement accounts	903	1,003
Provisions	277	343
Deferred tax liabilities	542	625
Total liabilities	**123,626**	**123,875**
Fair value of identifiable net assets attributable to Pulse	6,717	6,116

a. Revenue and profit contribution

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

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

b. Acquisition costs

Legal and compliance costs of $43,000 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 $14.1 million between Pulse and the Bank on the date of merger.

e. Purchase consideration

	$'000
INFLOW OF CASH DUE TO ACQUISITION	
Cash consideration paid	-
Balances acquired – cash	10,125
Net inflow of cash – investing activities	**10,125**

Recognition and measurement

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 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.

35. 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

Directors' declaration

In the opinion of the Directors of Teachers Mutual Bank Limited:

a. The financial statements and notes of Teachers Mutual Bank Limited are in accordance with the *Corporations Act 2001*, including:

   i. Giving a true and fair view of the financial position at 30 June 2022 and of its performance for the financial year ended on that date, and

   ii. Complying with Australian Accounting Standards (including the Australian Accounting interpretations) and the *Corporations Regulations 2001*; and

b. There are reasonable grounds to believe that Teachers Mutual Bank Limited will be able to pay its debts as and when they become due and payable.

c. The financial statements comply with International Financial Reporting Standards as stated in Note 1.

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 this 29th day of August 2022

Independent auditor's report

Grant Thornton

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

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), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a. giving a true and fair view of the Company's financial position as at 30 June 2022 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 Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

Darren Scammell
Partner – Audit & Assurance

Melbourne, 29 August 2022

Grant Thornton Australia Limited 4

Need more information?

Visit www.tmbl.com.au/contact

Registered office: 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

Auditors: Grant Thornton Audit Pty Ltd, Level 17, 383 Kent Street Sydney NSW 2000
Affiliates: Customer Owned Banking Association, Asian Confederation of Credit Unions, CUFSS, Cufa, World Council of Credit Unions, Global Alliance for Banking on Values and the Business Council of Co-Operatives and Mutuals.
Graphic Design: www.frescocreative.com.au

www.tmbl.com.au