TEACHERS MUTUAL BANK LIMITED

Banking for good for those who do good

Annual Report 2024

About Teachers Mutual Bank Limited

We are Teachers Mutual Bank Limited (the Bank), one of Australia's largest customer-owned banks, helping almost a quarter of a million Australians working in the vocations of health, education, and emergency services.

Almost 60 years ago, our bank was created by a group of volunteers as a positive alternative to the major banks. Their innovation, tenacity, and spirit provided the opportunity for customers to achieve home ownership and achieve their financial goals. Six decades later, this hasn't changed.

Today, our workforce of almost 600 is committed to delivering exceptional service, competitive rates, and supporting the vocations that support us.

We are an authorised deposit-taking institution regulated under the Banking Act 1959 (Cth) and by government agencies such as Australian Prudential Regulation Authority (APRA), Australian Securities and Investments Commission (ASIC) and Australian Transaction Reports and Analysis Centre (AUSTRAC).

We have a renewed focus on our customers and will keep working and adapting to remain sustainable and achieve our purpose: banking for good, for those who do good.

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

Contents

Certified B Corporation

Teachers Mutual Bank Limited acknowledges the Traditional Custodians of Country through Australia and their continuing connection to land, water and communities. We pay our respects to Aboriginal and Torres Strait Islander cultures, their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

FY24 highlights

$24.5M

Net profit after tax

$726.9M

Net assets

$9.3B

Home loan portfolio

$9.1B

Retail deposits

Our customers

95% customer satisfaction[1]

242,000 members

We helped **8,355** members into homes

Increased our contact centre team by **16%**

Joined the industry-wide **Scam-Safe Accord** in November 2023

Our community

Almost **$1.1M** invested each year

Partner of Stewart House for more than **40 years**

30 teachers took part in Bell Shakespeare's year-long mentorship

2,229 Cambodian students took part in Cufa's financial literacy program

Take Five recognised nurses and midwives for their everyday efforts

Our people

82% engagement survey participation

43% of leadership roles are held by women

Our people accessed more than **6,400** self-paced online short courses

92% of employees feel supported to balance work and personal life

Banking with purpose

100% of home loans and deposit products opened during the year are RIAA certified

Almost **100%** of paper is sourced from Certified PEFC or FSC

Purchased **first 12** of intended 34 electric vehicle fleet

Banksia Foundation's **Large Business Sustainable Leadership Award 2024**

Certified B Corporation

1 of 57 banks Certified B Corp in the world

1. Roy Morgan Banking Customer Satisfaction, Main Financial Institution

Introduction from the Chair

Dear Members of Teachers Mutual Bank Limited,

It is a great honour to be the Chair of our mutual bank. As one of Australia's largest mutual banks, we recognise the changing landscape of the banking industry and the need to evolve and adapt to remain sustainable. A successful evolution has been the expansion of our membership so that our bank now serves people who work in the education, health and emergency services sectors, and their families. Collectively, the people working in these industries support and strengthen our communities and our nation. Thank you to all our members for the essential work you undertake.

On 17 October 2023, following an extensive executive search, Anthony Hughes commenced as our CEO. Anthony is a strong member advocate who is refreshing the Bank's strategy. I believe his contributions to date have already been significant in strengthening our bank and firmly positioning Teachers Mutual Bank Limited for the future.

We must look forward to the future with optimism, ensuring that we always respect our history, while understanding that we must adapt, grow and change to continue to provide the service and financial products our members expect. With the new era ahead, a future-focussed strategy, and Anthony at the helm, I look ahead with every confidence in Teachers Mutual Bank Limited's ongoing success. It truly is an honour to serve you, our members.

Maree O'Halloran, Chair

Maree O'Halloran

Maree O'Halloran AM
Chair

Introduction from the CEO

Anthony Hughes, CEO

It's a privilege to be leading one of Australia's largest mutual banks and helping almost a quarter of a million Australians working in the vocations of education, health, and emergency services achieve their financial goals.

I join the Bank at a time when the banking sector is moving at pace. Technology is rapidly evolving and customers expect higher levels of service and a modern digital experience. Additionally, the regulatory environment is strengthening. To remain competitive and sustainable in the long term and take advantage of new opportunities, we must evolve, adapt and invest in services our customers value now and into the future.

Our strategy will achieve this: our focus is on delivering an excellent customer experience, modernising our technology, uplifting our risk culture and capability, our employee experience, and purposefully running our bank for people, planet and profit.

As I look ahead, I am energised by the opportunities to build a strong future for our bank as we work towards delivering our purpose: banking for good, for those who do good.

Anthony Hughes

Anthony Hughes
CEO

Message from the Chair and CEO

As we look back on the last year, FY24 was another year marked by strong external forces—cost of living pressures, higher interest rates, housing affordability challenges and tighter financial conditions. Throughout this, our people and our bank stepped up with a renewed focus to deliver the best service and strong outcomes for our customers.

We ended the year with 242,000 customers and with a continued focus on serving people working in the vocations of education, health, emergency services, and their families. Our customer satisfaction surveys this year regularly indicated high satisfaction with our services. This was highlighted by Teachers Mutual Bank topping the Roy Morgan Banking Customer Satisfaction scores with a score of 95%.[1] This result underscores how our customers value the helpfulness of our teams, the quality of our products, and the trust they have in our bank.

Investment in new technology and the rolling out of a new lending platform continued to provide opportunities to offer our customers new ways of banking. For our home loan customers, we introduced a new digital application, review, and signing tools which enabled us to remove paper-based applications and streamline our time to yes for home loan approvals.

Building on our momentum, this year we helped 8,355 customers into homes, and at 30 June our home loan portfolio had grown faster than the market for the year. As we look at our home loan portfolio, it was pleasing to see that almost one third of our customers are more than a year ahead on their home loan repayments. During the year the Reserve Bank of Australia (RBA) lifted the official cash rate to 4.35%. While never an easy decision, to remain competitive and aligned with the market, we increased our home lending rates.

We stepped up to deliver the best service and strong outcomes for our customers.

In balancing the needs of both our home loan and deposit customers we introduced a new savings product. We offered a strong launch interest rate, which benefited more than 10,000 customers, and provided some relief to our existing savings and deposit customers who have experienced a lower level of return on their funds in recent years.

We remain committed to offering safe, secure, and seamless ways of banking for our customers. Our focus on self-service capabilities has empowered our customers to bank anywhere, anytime. This year, we introduced new digital banking features, including improved password reset, enabling customers to change their password to one that is memorable to them; advanced transaction search, enabling a faster and intuitive way to search for past transactions; enhanced personalisation options; and improved functionality for account management and security settings.

In response to customer feedback, this past year we took critical steps towards uplifting our digital banking services. This effort has resulted in year-on-year improvements across our app and internet banking services. We're continuing to invest in our technology and remain committed to this program of work and delivering safe, secure, and reliable digital banking solutions.

1. Roy Morgan Report: Customer Satisfaction Consumer Banking in Australia, May 2024

In November 2023 the banking industry collaborated to launch a new Scam-Safe Accord to make Australia a hard target for scammers. A key initiative is a whole-of-industry solution for 'confirmation of payee', due to be rolled out across all Australian banks in 2025. While we await this industry solution, we have entered an industry partnership to fast-track our ability to implement a security feature to indicate if account details look right when transferring money for the first time. The aim of the security feature is to help protect our customers from falling victim to scams and we are the first customer-owned bank to implement this service. It was initially launched in Teachers Mutual Bank internet banking and we expect to roll it out to our other brands' internet banking and apps during FY25.

During FY24 we continued to see customer preferences shift towards digital and mobile transactions. In fact, this year less than 2% of transactions recorded by our customers were cash withdrawals. However, we understand that our customers value being able to speak with a real person.

Recognising this, we grew our Australian-based contact centre team by 16%, or 10 people during the year. This enabled us to service the 353,000 interactions to our contact centre 13% faster.

Our people

Our employee engagement survey this year demonstrated we have an engaged workforce with a participation rate of 82% and an engagement score aligned with the industry benchmark. Pleasingly, as the banking industry continues to evolve and adapt to the ever-changing environment, our people feel strongly that they are well-equipped to manage change and that there are strong opportunities for personal growth and performance. Our people also indicated they value their work-based social connections.

In the past decade, we've successfully implemented and embedded policies and practices to support more women into leadership roles. Today 55% of our Board is female and it is led by a female Chair, and our bank's leadership team is 43% female. We are committed to building a pipeline of strong female talent across all areas in our bank and offering vibrant and rewarding career opportunities for all our people.

In a year of change within our bank, we thank our people for their resilience, adaptability, and unwavering commitment to deliver the best service to our customers.

We have delivered resilient performance across our core business of lending and deposits.

Simplifying to strengthen

A strong and robust approach to risk management is vital to protecting our bank and allowing us to support our customers, invest in new technology to transform the Bank, and support our people. An external review last year identified a need to uplift our risk capability and mature our risk management frameworks, governance, and practices. As a result, we are prioritising risk management across our bank and implemented our new, multi-year organisational Risk Transformation program, called MORE (Member Outcomes Risk Excellence).

MORE will improve our risk governance, risk practices, and risk culture, with the ultimate goal of building a simpler and stronger bank for our customers. You can read more about our Risk Management program on page 20.

As part of our ongoing simplification program, this year we undertook a full review of our retail brand, Hiver. The outcome is that the Hiver brand will be progressively phased out from the market during FY25. Hiver enabled us to experiment with new digital features which we will progressively introduce into our other brands. An important step towards simplifying our bank, phasing out Hiver will facilitate process simplification, reduce complexities, and significantly reduce risk. In the coming months we will transition and support any impacted customers to one of our other brands.

We continually review our operations and business model to ensure we invest our customers' funds responsibly. In this context, we have commenced a review of our property locations to understand the benefits of a footprint reshape, recognising our new ways of working, and how we could redirect capital towards creating the banking services our customers need today and will want in the future.

Our commitment to continuous improvement

We know we sometimes make mistakes and we remain committed to fixing them to the benefit of our customers. In addition to in-flight programs that are progressing well, we have identified some additional historical processes that require attention and customer remediation. We sincerely apologise for this, and we are working to identify all impacted customers and provide reimbursements. Accordingly, we are holding a remediation provision in our financial statements and will resolve this as quickly as possible.

Strong business performance

FY24 continued to present a variety of challenges as the economy managed rising interest rates, cost of living pressures, and tighter market conditions. Stubborn inflation throughout the year meant the RBA increased the official cash rate and has maintained the rate since November.

Notwithstanding the challenging economic environment, we have delivered resilient performance across our core business of lending and deposits that has resulted in strong financial outcomes.

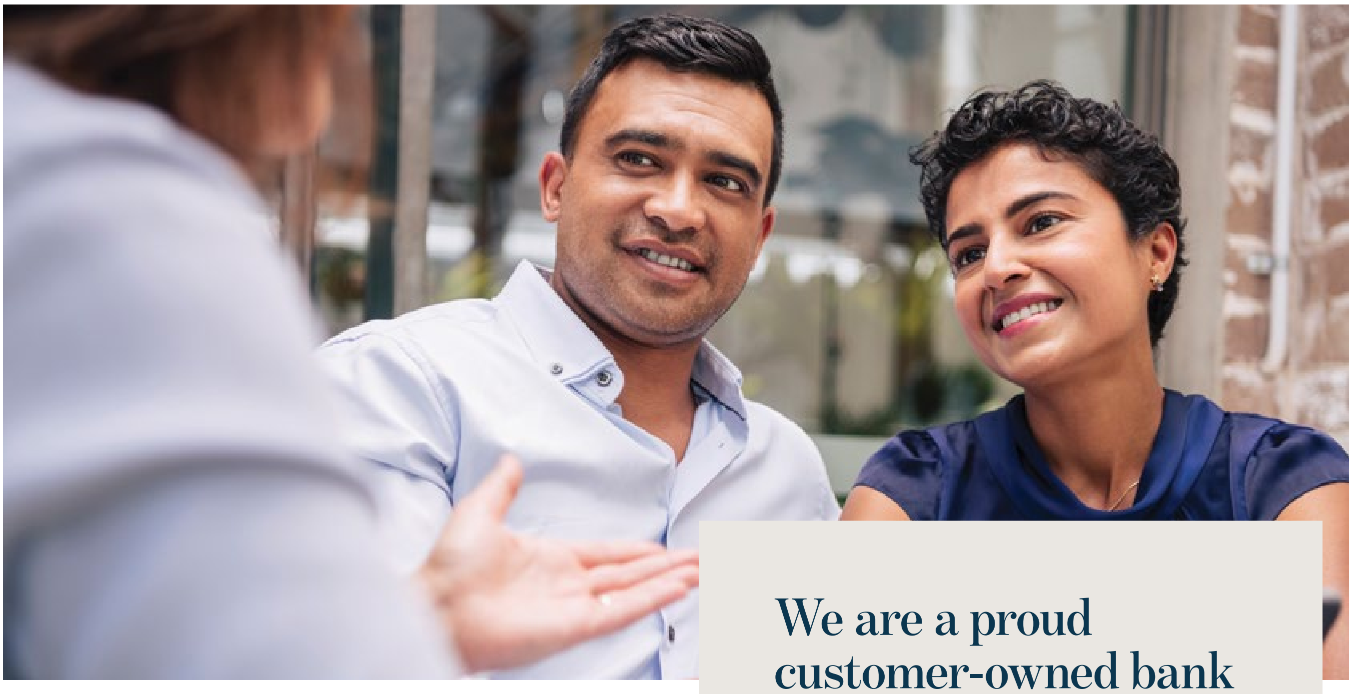
We maintained our momentum in helping customers into homes. Our home loan approvals reached $2 billion, while the total home loan portfolio grew by $579 million (+6.7%). Our net interest margin reduced to 1.65% (down four basis points) as we balanced member value and the long-term sustainability of the Bank.

Retail deposit balances increased to $9.1 billion (+9.1%). Growth in deposits contributed to the majority of our funding needs for the year and supported our liquidity position.

Overall, net assets increased to $727 million (+3.5%) reaffirming our position as one of Australia's largest customer-owned banks.

Total net profit after tax for the Bank was $24.5 million (-12%). The result is in line with our 30 June forecast and primarily due to increased spend on risk transformation, digital transformation, remediation programs, uplift in employee remuneration and benefits, and regulatory and compliance projects.

Our capital adequacy position remains sound at 15.59%. This is above the minimum APRA prudential regulatory requirement and within the Board-approved target. It also highlights the value we provide to support our growth and benefit our members.



> We are a proud customer-owned bank with a focus on our customers, and a clear strategy for the future.

People, profit, planet

Our successes this year clearly demonstrate the value of customer-owned banking to Australia. As a proud Certified B Corporation (B Corp) bank, we are a force for good. Our business model is profit for purpose and we focus on people, planet and profit, aiming to deliver the best outcomes for customers. For us it's built in, not bolted on.

In March 2024, we launched the *From Values to Riches 2024: Charting consumer demand for responsible investing* report by the Responsible Investment Association Australia (RIAA) in partnership with Australian Ethical. The report revealed a significant shift in consumer sentiment with the openness to investing ethically increasing. In fact, 88% of Australians now expect their investments to be responsible and ethical, and at the same time, consumers have indicated a concern for greenwashing.

We have great pride that we continue to provide credible, verified responsible investment. For the third year in a row, we were the only bank in Australia to be recognised by the RIAA as a Responsible Investment Leader.

Community

We have dedicated programs and partnerships to support our vocations and communities that support us.

The Bank's long-standing partnership with Bell Shakespeare offers mentorship and scholarship opportunities for teachers to engage learners in Shakespeare from across all year levels.

Our Take Five Initiative shines a light on the small impactful moments that make us truly appreciate our nurses and midwives. Our Essentially You program is complimentary and offered exclusively to our customers to support their physical and mental well-being. It offers access to practical tips, solutions and powerful insights from health professionals.

Now in its ninth year, our partnership with Cufa supports the Cambodian Children's Financial Literacy program, and since inception has helped more than 43,500 children receive an education in financial literacy.

Looking ahead

Almost 60 years ago our bank was created by a group of volunteers as an alternative to the existing banks. Their innovation, tenacity, and spirit provided the opportunity for our customers to achieve their financial goals. Six decades later, this hasn't changed.

We are a proud customer-owned bank with a focus on our customers, a clear strategy for the future, with a commitment to delivering exceptional outcomes to you, our customers.

Our purpose is clear: banking for good, for those who do good. As a bank we have enormous potential and we are energised about our future.

Maree O'Halloran

Maree O'Halloran AM
Chair

Anthony Hughes

Anthony Hughes
CEO

◂ Kate (Head of Finance) with Jose (Head of Treasury).

Our customers

Our customers are at the heart of our bank and we are committed to helping them achieve their financial goals.

Outstanding service

Serving people working in the vocations of education, health and emergency services and their families, we provide banking services to more than 242,000 customers. We aim to consistently deliver great service and our surveys regularly indicate our customers are highly satisfied. Our Net Promoter Score in FY24*, a widely accepted measure of how likely our customers are to recommend us to friends and colleagues, was 36. The average score of the major banks was below 10.

Evidence of our service commitment is our top ranking in the Roy Morgan Banking Customer Satisfaction Award (Main Financial Institution), achieving a customer satisfaction score of 95%. This is a remarkable result that underscores how our customers value the helpfulness of our teams, the quality of our products, and the trust they have in our bank.

Helping you save

This year we continued to evolve and adapt our products to help our customers achieve their financial goals. We were able to make some attractive offers for our saving and deposit customers during the year. Following the lower level of return on funds in recent years, these offers were warmly received by our customers.

Helping customers into new homes

Throughout the year we continued to introduce new digital features to support our customers into a new home. We introduced a new digital application tool, eliminating the need for paper-based applications, helping us to, in May, deliver one of the industry's fastest home loan approval times for our customers.[2] It was a privilege to help more than 8,350 customers into their homes this year.

Our market-leading position for banks of similar sizes didn't end there. Our home loan discharge settlements were consistently amongst the best in the industry for on-time delivery.[3] This allowed discharge settlements to occur on the date our customers had been advised and importantly, allowed them to move forward with their plans on the date of settlement.

* As at March 2024

2. Broker Pulse – Mortgage Business
3. TMBL | Pexa Monthly Reports FY24

▲ Belinda, Harrison, Debra and Melissa from our Contact Centre team.

It was a privilege to help more than 8,350 customers into their homes this year.

Here during the hard times

We understand that the rising interest rate environment has placed pressure on household and family budgets. Lessons learned during COVID-19 mean that we are better resourced to support our customers who may be experiencing financial difficulty, for whatever reason. We have a range of solutions to help support customers, and our team aims to develop a tailored approach based on individual circumstances.

Digital enhancements

Delivering safe, reliable, and secure banking for our customers in the ways they want to bank is of the highest priority to us. This year we listened to customer feedback and updated our digital banking app and internet banking. Customers can now reset their digital banking password to a code that is memorable to them. We also enhanced digital account management and security settings.

As part of our commitment to inclusion and accessibility, we refreshed our digital banking designs to better support compatibility with screen readers. Customer feedback has been positive and we will continue to look for ways to deliver accessible banking into the future.

Our people

In a year of change for our bank, our people remained resilient, adaptable, and showed a great generosity of spirit and a passion for our customers.

Our people remained engaged during the year, recording an engagement score aligned with our industry benchmark. We are proud that we prioritised regular performance and development conversations with our people, with 100% of our workforce participating in these conversations resulting in true alignment with our organisational goals and enhanced customer satisfaction.

This year our people indicated they feel strongly that there are opportunities for personal growth and performance, supported by a variety of learning and development opportunities. This past year, 26 of our people enrolled in organisation-funded formal qualification programs, enhancing our in-house expertise and improving our service delivery. Our people accessed more than 6,400 self-paced online short courses through LinkedIn Learning, enabling timely and continuous improvement, and appropriate upskilling of our people.

In addition to offering a range of development opportunities, we also provided career opportunities for our people. Throughout the year, almost 5% of our people undertook secondments and another 5% were internally promoted into a new role. We are proud of the opportunities we offer our people, and will continue to offer, as our organisation evolves and adapts to new ways of working and external environments.

We do our best to provide an exceptional onboarding experience for new team members. Our face-to-face ONE Program is completed by 100% of new employees and allows them to meet, interact, and create connections with key people across our bank. As part of the ONE Program, all new employees are required to take part in our sustainability training, learning about our accreditations, including B Corp.

The recently introduced Respect@Work legislation required all businesses to develop a Sexual Harassment Prevention Plan to proactively prevent workplace sex harassment and discrimination. This year we launched a Prevention Plan which included our Respect@Work policy and Respect@Work training for our Board, Executive team, and people. We continue to implement our plan which includes reviewing existing policies and practices.

The inaugural publication of the Gender Equality Report identified some strengths and areas of opportunity for our bank. Today, 55% of our Board is female and it is led by a female Chair, and our bank's leadership team is 43% female. We have commenced a program to support more women into leadership roles, which we acknowledge will take time; however, we remain committed to achieving it.

In a year of change within our bank, we thank our people for their resilience, adaptability, and unwavering commitment to deliver the best service to our customers.

We thank our people for their unwavering commitment to deliver the best service to our customers.

▲ Glinda (Sponsorship Manager) and Ridhika (Website Specialist).

Banking with purpose

We are profit for purpose

As a mutual bank, we have a different structure from most other banks. We are 100% owned by our members, meaning instead of profits being distributed to shareholders and investors through dividends, our profits are reinvested to benefit our members and communities. We are focussed on supporting those industries and communities that support us – that's what we call banking for good, for those who do good.

Our B Corp Certification and performance

We are a Certified B Corporation (B Corp) bank, meaning we are part of the global movement for an inclusive, equitable, and regenerative economy. B Corp Certification is achieved by meeting high standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

B Corp Certification measures, through the B Impact Score, the entire bank's performance across five pillars of customers, governance, environment, workers, and community, by third-party verification.

During the year, we commenced our recertification and aim to have our efforts across all performance areas reflected in an improved performance score. There are approximately 8,900 businesses worldwide that have achieved B Corp Certification, and we are one of only 57 banks[4] globally to be Certified B Corp.

Certified B Corporation

Our Environmental, Social and Governance Exclusion (ESG) Policies

We have a series of policies within our bank that guide our bank's operations, lending, and investment practices, enabling us to make the following commitments to our members:

- We aim to invest your money responsibly and ethically.
- Our policy criteria for wholesale funding means we do not accept funding from entities operating in industries such as gambling, fossil fuels, logging or nuclear power.
- Every home loan and deposit account opened during the current financial year was a Certified Responsible Investment product.

RIAA certification

Our ESG policies and exclusions underpin our RIAA Responsible Investment Product certification. This provides independent, third-party verification and is the leading initiative for distinguishing quality, responsible, ethical, and impact investment products and services in Australia and New Zealand. All home loan and deposit products provided by our bank are RIAA certified, at no additional cost to our customers.

4. Deposit bank – Developed Capital Markets as defined on bcorporation.net

The Responsible Investment Leader

For the third consecutive year, we were the only bank named by RIAA as a Responsible Investment Leader, which is the highest possible standard for those that demonstrate exceptional ability to deliver on responsible investment promises.

Sustainability in our operations

As part of our commitment to sustainability, diversity and inclusion, and reconciliation, our vendor governance framework incorporates corporate social responsibility metrics and measures to support our vendor selection and engagement process. Where possible we select vendors, products, and services that support our local communities, be that environmentally, financially, or socially.

Printing paper used in our offices and branches is certified by Forest Stewardship Council or Programme for the Endorsement of Forest Certification. During the financial year, digitisation and other changes to our operational processes, including lending, have resulted in a decrease in paper use.

Since 2021 our office building electricity has been provided by 641 solar panels installed on our four offices. Additional electricity requirements have been supplemented by the purchase of Certified Green Power.

We work with our suppliers, including local indigenous businesses contracted to clean two of our 10 sites, and all our sites are cleaned using sustainable cleaning products, of which the majority are non-chemical. We also use chemical-free pest control.

Delivering a 100% electric vehicle fleet by 2027

As part of our commitment to environmental sustainability, last financial year we announced a $2 million investment to transition our entire national car fleet to 100% electric vehicles by 2027. These vehicles will be run on renewable electricity when charged at our bank's offices.

This year we progressed this commitment, purchasing the first 12 of the intended replacement fleet of 34, and installing five charging stations at our offices and nine home chargers at employees' homes.

▲ Charging a Teachers Mutual Bank electric car.

Community

We are proudly customer-owned and committed to supporting the communities and vocations that support us. This year we honoured our vocations of education, health, and emergency services through a range of programs and development opportunities. We continued our commitment of investing almost $1.1 million annually through our sponsorship and partnership programs which continue to assist our communities to thrive.

Our Essentially You program, exclusively available for our customers, is complimentary and offered to support physical, mental, and financial well-being. It offers access to practical tips, solutions and powerful insights from a range of qualified professionals.

Launched this year, our Take Five Initiative was embraced by the health professional community. Recognising the small, everyday efforts of nurses and midwives, Take Five aims to shine a light on the small impactful moments that make us truly appreciate our nurses and midwives. And, with hundreds of nominations from across Australia, this initiative demonstrated the power of recognising our healthcare professionals.

For the past eight years, alongside our partner Bell Shakespeare, we have provided 30 teachers from across Australia with a year-long mentorship, as we believe that geography shouldn't be a barrier to professional development. During intensive learning days, the teachers learn innovative teaching techniques, Shakespeare strategies, and active learning principles to engage learners from across all year levels.

For more than 40 years, we've partnered with Stewart House. Each year, they offer 1,600 public school children impacted by health or family issues 12 days of respite care, programs, excursions, and medical treatment and screening at no cost to their parents or carers. Each child is personally recommended by their school principal as being in need of a break from their daily life.

We continued our commitment of investing almost $1.1 million annually through our sponsorship and partnership programs.

This year, we continued to implement the actions from our Reconciliation Action Plan. We remain committed to educating our people about and embedding reconciliation across our organisation. We want to have a meaningful impact by establishing and strengthening mutually beneficial relationships with Aboriginal and Torres Strait Islander peoples and organisations and we will take more positive action in FY25.

We were delighted to present this year's Premier's Teachers Mutual Bank Aboriginal Education Scholarship to Sally McGrath. Sally is researching methods currently being used to teach Aboriginal language programs on Wiradjuri Country in Central West NSW and will use the learnings from this to support the implementation of the NSW Aboriginal Languages Curriculum in NSW schools.

A number of scholarships with our university partners have enabled students to complete courses in education and health. We also provided a range of scholarships to educators, health professionals, students, and emergency service workers. Collectively, these scholarships provide us the chance to meaningfully connect with, and make a positive impact within our communities.

▲ Participants taking part in the Bell Shakespeare mentorship program.

Our long-term partnership with the Credit Union Foundation of Australia (Cufa), an international development agency committed to alleviating poverty and creating sustainable results across the Asia Pacific, continued to address poverty in Cambodia.

Cufa's Children's Financial Literacy program (CFL) has been making a positive difference for the past decade. Since 2016, we have partnered with Cufa on the CFL program, supporting the delivery of a grassroots approach to addressing the causes of poverty in rural Cambodia. The program aims to increase the financial literacy of six to 11-year-old children and encourages critical saving habits that have lifelong and meaningful impact.

In FY24, our partnership helped deliver financial literacy training to 2,229 students and 41 teachers participated in teacher training workshops. Since our partnership commenced, the CFL program has educated 43,777 children, and 1,070 teachers across 132 schools.

Our Advisory Committee

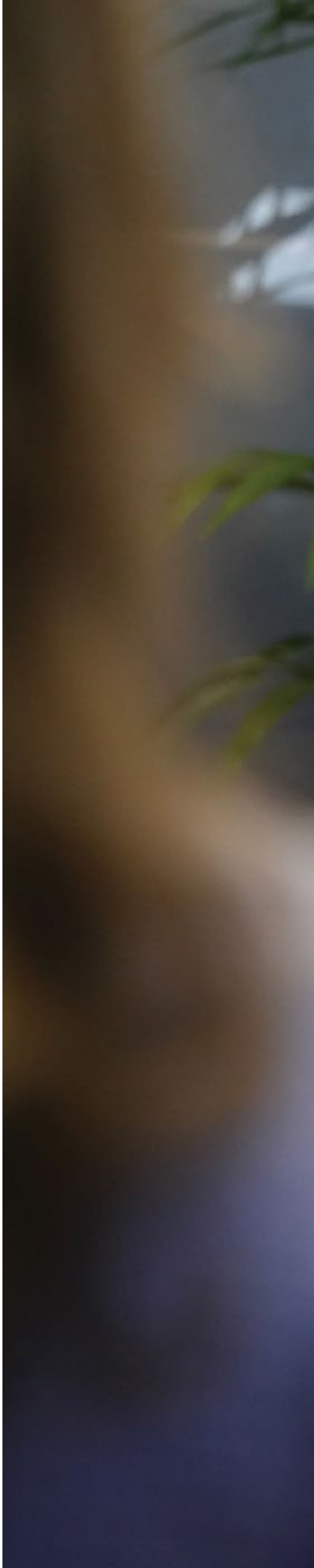
This year we continued to engage with our Teachers Mutual Bank Limited Advisory Committee which represents our vocations of health, education, and emergency services.

Members of this committee represent employees within these vocations (teachers, nurses, and firefighters), employers (hospitals, government departments, schools, and universities), and organisations that represent and support our vocations (industrial unions and industry associations). This representation provides us with a broad cross-section across all the industries we serve and brings a range of matters to the table for discussion. We take this opportunity to thank our Advisory Committee members for their commitment and contribution.

Our Members Committee

Our Members Committee is a group of elected members who meet quarterly. In doing so, this committee provides another link between our bank and our customers. Our Members Committee takes part in a variety of activities including receiving and passing on valuable feedback from our customers in their local communities and deepening their understanding of matters and concerns affecting our members. We take this opportunity to thank our Members Committee for their commitment and contribution.

Risk management



Sound risk management is a foundation of our bank. It underpins our operations and provides clear guardrails for our people to make decisions and keep our members safe.

A key aspect of our risk management approach is responding to new and emerging risks and changes in our external environment. This approach supports our ultimate goal of building a simpler and stronger bank for our members.

Overview of risk management framework

The Bank is exposed to financial risks, non-financial risks and strategic risks arising from its operations. We manage these risks through our Risk Management Framework (the Framework), which is aligned with the business operating environment, industry-standard approaches, and regulatory and community expectations.

The Framework enables the appropriate development and implementation of strategies, policies and procedures to manage risk. The Framework incorporates the requirements of APRA Prudential Standard CPS 220 Risk Management supported by three key components:

- **Risk Appetite Statement** establishes the type and degree of risk the Board is prepared to accept and the level of risk that we must operate within.
- **Risk Management Strategy** describes our approach to the management of material risks in support of achieving strategic goals and objectives.
- **Bank Strategy** outlines our approach to the implementation of our strategic objectives.

The effective management of our material risks requires appropriate resourcing of skilled employees within each of our Three Lines of Defence (3LOD) framework. It is important for all employees to have an awareness of their risk accountabilities in relation to their role, the Framework, and the need to adopt the desired risk behaviours to achieve a positive risk culture. The responsibility of each line of defence follows.

▲ Helen, Manager, Organisational Change Management.

▲ Haley (Marketing Operations Specialist) and James (Change Manager).

LINE OF DEFENCE	RESPONSIBILITY
First	Each operational area of the Bank is responsible for identifying and managing risks in a way that is consistent with the Risk Management Framework and risk appetite set by the Board. We, through our training and management standards and procedures, aim to maintain a disciplined and robust control environment in which all employees understand their roles and responsibilities.
Second	A central risk and compliance group, led by the Chief Risk Officer, forms our second line of defence, and is responsible for the development and maintenance of our Risk Management Framework and reports to the Board, Committees, and senior management. The Board Risk & Compliance Committee oversees the effective implementation of the Risk Management Framework and helps formulate the Bank's risk appetite for consideration by the Board.
Third	Internal Audit provides the third line of defence, providing independent assurance on the effectiveness of the Risk Management Framework. Our internal auditors report directly to the Audit Committee. The Audit Committee oversees the effectiveness of internal controls and is assisted in its role by internal audit, which undertakes both regular and ad hoc reviews. External Audit provides an independent, unbiased assessment of whether our financial statements and other regulatory reporting documents are free from material misstatement.

Risk culture

Risk culture is the beliefs, values and behaviours that determine how risks are identified, measured, governed, and acted upon. Risk behaviours that demonstrate a positive risk culture are expected of all employees and underpinned by our values of advocacy, passion and sustainability. We measure and monitor risk culture, report on the culture to the Board every six months, and annually measure risk culture, based on APRA's Risk Culture 10 Dimensions.

Strengthening risk management capability

We are proactively strengthening our risk capability across the Bank. Through implementing our multi-year Member Outcomes and Risk Excellence (MORE) program we are strengthening risk governance, accountability, oversight, risk practices, and risk culture. Our focus in FY25 will be to implement and drive the actions identified in MORE.

member outcomes risk excellence

MORE is our commitment to delivering even better outcomes for members by strengthening how we manage risk to keep our customers and bank safe. It is our foundation for sustainable growth. The program has seven workstreams focussed on delivering uplift.

WORKSTREAM	TARGET STATE
Governance and reporting	Clear and effective Board and governance reporting
Risk management framework	Risk management uplifted and embedded
Three lines of defence	Clear three lines of defence responsibilities embedded and understood
Risk culture	Proactive and transparent risk culture
Capability and capacity	Significant improvement in capability and capacity
Accountability, performance, and consequence management	Strong disciplines of execution and clear accountability
Strategic change	Balanced and transparent investment; disciplined execution and program delivery

To improve and strengthen our internal risk capability, support our risk transformation program, and our successful delivery of MORE, we externally recruited six additional first-line risk professionals into our team this year.

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 2024. The Bank is a company registered under the *Corporations Act 2001.*

All Board members are independent Directors, must satisfy the Fit and Proper criteria set down 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

Appointed: Director since 2009 and Chair since August 2019

Board Committees: Member of the People & Remuneration and Risk & Compliance Committees

Maree has more than three decades of experience across the finance, education, and legal sectors. She is currently a Legal Consultant at NEW Law Pty Ltd. Prior to this, Maree was the Director of the Welfare Rights Centre, where she also practised as a solicitor.

Maree has worked as a teacher in both public schools and TAFE. She is an active voice for the teaching community and a former President of the NSW Teachers Federation. She is currently Chair of Teachers Health and has served as a member of the NSW Public Service Commission Advisory Board, a Director of HESTA Ltd, and the SAS Trustee Corporation of NSW.

In 2011 Maree was awarded the Member of the Order of Australia (AM) in the Australia Day Honours List in recognition of her service to industrial relations and the education sector.

Andrew Kearnan

Deputy Chair

GAICD, MBA, BSc (Hons)

Appointed: Director since October 2020 and Deputy Chair since May 2023

Board Committees: Chair of Audit Committee

Andrew has held executive or non-executive director positions at leading finance sector institutions including Bank of America, Merrill Lynch, Commonwealth Bank, Hollard Insurance, and RACQ. He is a past Member of the Australian Accounting Standards Board and was consistently rated as one of Australia's top finance sector equity market research analysts during his 18-year investment banking career.

Andrew is also a Director and Chair at UniMutual Ltd and PetSure Australia, and is a Director of Nimble Money Ltd and ASX-listed fintech, Spenda Ltd.

Prof. the Hon. Verity Firth AM

Director

BA LLB; GAICD

Appointed: 2019

Board Committees: Member of the Nominations Committee

Verity has experience at the highest levels of government and the not-for-profit sector in Australia. She is Vice-President, Societal Impact, Equity and Engagement at the University of NSW. Prior to this, she was Pro Vice-Chancellor (Social Justice and Inclusion) at UTS. From 2007 to 2011 she was the Member for Balmain in the NSW Parliament and served as Minister for Education and Training in NSW. She has also held the role of CEO for the Public Education Foundation.

Before her parliamentary career, Verity worked as a lawyer and was Deputy Lord Mayor of the City of Sydney.

Verity was awarded the Member of the Order of Australia (AM) in the 2023 Australia Day Honours List, in recognition of her service to the Parliament of New South Wales and to social inclusion.

Emeritus Professor William Ford

Director

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

Appointed: 2015

Board Committees: Member of the Audit, People & Remuneration, and Risk & Compliance Committees

A Director and Chair of Unicredit until its merger with Teachers Mutual Bank in 2015, William is also a barrister and solicitor to the Supreme Court of Western Australia.

His experience includes previously holding the positions of Emeritus Professor of Law at the University of Western Australia; Dean of the Law School at the University of Western Australia, Chair of the Council of Australian Law Deans (2007–2011); a Former Committee Member (UWA Branch) of the National Tertiary Education Union (NTEU) and Secretary UWA Academic Staff Association; and the Former National Vice-President (Academic) NTEU.

Linda Green

Director

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

Appointed: 1997

Resigned: 29 January 2024

Board Committees: –

Linda commenced teaching in 1979 and is currently the Principal of Robert Townson Public School. She served as a Board member from 1997 and retired from Teachers Mutual Bank Limited in January 2024.

Virginia Marshall

Director

BCom, MBus, MCom, GradCertSust, GAICD

Appointed: 2023

Board Committees: Member of the Audit and Technology & Innovation Advisory Committees

Virginia is an experienced financial executive with more than 20 years' experience across financial services, property and asset management, and technology companies, including Deputy Chief Financial Officer for Westpac Banking Corporation's Consumer Division and Chief Financial Officer of non-bank lender, Society One.

Virginia is currently CFO for SamsaraEco, a biotech focussing on enzymatic recycling, advancing Australia's efforts towards a circular economy. She is also an independent member of the NSW Cancer Council's Audit, Risk & IT Committee.

Sue Matthews

Director

RN, BA, MHScN, Wharton Fellow, DPH, GAICD

Appointed: 26 February 2024

Board Committees: Member of the People & Remuneration Committee

Sue is the CEO of the Royal Women's Hospital. She is also the Chair of the Victorian Inquiry into Women's Pain, and a member of the Victorian Women's Health Advisory Council, the federal government's National Women's Health Advisory Committee, and National Women's Health Advisory Committee Research Sub-Committee.

Sue is an internationally recognised leader in women's health and healthcare systems, underpinned by a rich experience in clinical expertise, research contributions, governance and administrative oversight. She is deeply dedicated to elevating the well-being of women and newborns through visionary, passionate, and evidence-based advocacy.

Andrew McCready

Director

BSc, A Fin

Appointed: 2016

Board Committees: Chair of People & Remuneration Committee, Member of Audit and Nominations Committees

Andrew is a Leading Station Officer in Fire + Rescue NSW and a Supervisor at its 000 Call Centre in Sydney.

Andrew was a Director of the Fire Brigades Employees Credit Union for eight years and Chair for three years. Post the credit union's merger with Teachers Mutual Bank in 2016, he continued to be on the Firefighters Mutual Bank Advisory Committee.

Michael O'Neill

Director

BEc, BEd, Grad Dip Acct, GAICD

Appointed: 2013

Board Committees: Chair of the Risk & Compliance Committee, Member of Audit, and People & Remuneration Committees

An experienced company director, Michael has held a number of non-executive roles including Chair of Gymnastics Victoria and Chair of the Board Audit and Risk Committee at The Royal Women's Hospital.

Michael has more than 25 years' experience in financial services. He held roles at KPMG and ANZ, as well as the roles of Chief Financial Officer and Chief Risk Officer for NAB's Personal Banking Division and Treasurer for the NAB Group.

Melissa Reynolds

Director

BEc, MComm, GAICD

Appointed: 2020

Board Committees: Chair of the Technology & Innovation Advisory Committee, Member of Risk & Compliance, and People & Remuneration Committees

Melissa is a senior executive with more than 30 years' experience in ASX-listed financial services, energy and media companies, including AGL Energy and NAB. She is currently the Chief Executive Officer of State Trustees, Victoria.

With a strong focus on customers, Melissa has significant strategic, commercial and operational leadership expertise in product, sales and marketing, operations, member experiences and digital transformation.

Melissa is also a non-executive director at Colonial Foundation and a Council member at Genazzano FCJ College.

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

Fred Taweel

Company Secretary

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

Chartered Governance Professional, Certified Internal Auditor, Certified Fraud Examiner.

The Company Secretary is accountable for the effective governance, administration and oversight of member meetings.

Directors' meeting attendance

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

Director	Scheduled meetings		Unscheduled meetings[3]		Risk & Compliance		Audit		People & Remuneration		Board Nominations	
	H[1]	A[2]	H[1]	A[2]	H[1]	A[2]	H[1]	A[2]	H[1]	A[2]	H[1]	A[2]
Director												
Maree O'Halloran[4]	12	12	5	5	8	8	n/a	n/a	4	4	2	2
Verity Firth[5]	12	10	5	3	n/a	n/a	n/a	n/a	n/a	n/a	1	1
William Ford[6]	12	12	5	5	8	8	5	5	4	4	n/a	n/a
Andrew Kearnan[7]	12	11	5	5	n/a	n/a	5	5	n/a	n/a	n/a	n/a
Virginia Marshall[8]	12	12	5	4	n/a	n/a	5	5	n/a	n/a	n/a	n/a
Sue Matthews[9]	5	4	4	3	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Andrew McCready[10]	12	12	5	5	n/a	n/a	5	5	4	4	3	3
Michael O'Neill[11]	12	12	5	5	8	8	5	5	4	4	n/a	n/a
Melissa Reynolds[12]	12	10	5	4	8	7	n/a	n/a	2	2	n/a	n/a
Former Director												
Linda Green[13]	7	7	1	1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. The number of meetings held during the time the Director was a member of the Board or Board Committee.
2. The number of Board Committee meetings that the Director attended as a member.
3. Out of cycle meetings normally called for a special purpose that do not form part of the Board's forward agenda.
4. Chair of the Board and member of the Board Risk & Compliance Committee and member of the People & Remuneration Committee. Retired as a member of the Board Nominations Committee on 27 November 2023.
5. Appointed as a member of the Board Nominations Committee on 27 November 2023.
6. Member of the Board Audit Committee and member of the Board Risk & Compliance Committee and People & Remuneration Committee.
7. Appointed as Board Deputy Chair on 29 May 2023. Chair of the Board Audit Committee.
8. Member of the Board Audit Committee.
9. Appointed as a member of the People & Remuneration Committee on 1 June 2024.
10. Chair of the People & Remuneration Committee and member of the Board Audit Committee and appointed as a member of the Board Nominations Committee on 28 August 2023. Retired as Board Deputy Chair on 29 May 2023.
11. Chair of the Board Risk & Compliance Committee and member of the Board Audit Committee and People & Remuneration Committee.
12. Member of the Board Risk & Compliance Committee and People & Remuneration Committee. Retired as a member of the People & Remuneration Committee on 27 November 2023.
13. Retired as a Director on 29 January 2024.

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 26 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 proceeding 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 in the form of taking deposits and the giving of credit facilities to members 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 $24.5 million (2023: $27.9 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 principal activity of providing retail financial services primarily to employees and their families in the education, emergency services and health sectors, university graduates, and their families is consistent with the previous year.

Net profit after tax decreased 12.2% to $24.5 million (2023: $27.9 million) primarily due to $5.1 million in remediation provisioning. Overall, this represents a sound result and reflects an improvement despite increased investment spend on risk transformation, digital transformation, and regulatory and compliance projects.

In a challenging lending environment, our home loan book grew at 1.4 times system, increasing by $579 million to $9.3 billion, representing portfolio growth of 6.7%. Loan losses remain at historically low levels, and the expected credit loss provision of $7.6 million (2023: $6.5 million) is broadly consistent with the prior year relative to total loans, demonstrating the sound credit quality of the portfolio.

In terms of funding, the Bank recorded strong growth of $786 million or 7.9%. Amidst a competitive deposit landscape, total deposits grew by approximately $760 million or 9.1%. During the year, the remaining RBA Term Funding Facility was repaid, with borrowings from wholesale funding providers remaining stable. This was supported by the Bank successfully pricing a $250 million three-year floating rate senior unsecured term debt transaction issued on 21 June 2024.

Net interest increased by $4.8 million or 2.7% over the previous year. The net interest margin reduced slightly by 0.05% to 1.65%.

Operating costs grew by $8.4 million or 5.4%, largely driven by an uplift in employee remuneration and benefits in line with CPI increases.

The Bank's regulatory capital adequacy ratio remained strong at 15.59% (2023: 15.59%). At this level, the Bank remains well-capitalised, providing a sound capital base to navigate any economic uncertainty in the future operating environment. This strong capital position supports our continued investment in system integrity and resilience, digitisation, robotics and member service functionality as well as risk transformation, and regulatory and compliance systems.

Further information about the overall performance of the Bank, including key non-financial metrics, is outlined in the Message from the Chair and CEO section of this Annual Report.

The notes to the financial statements set out all the critical accounting estimates and judgements that have been made in preparing the financial statements. The Directors consider that these financial statements and the sound capital, liquidity and credit profile demonstrate that the Bank is well positioned to manage uncertainty in the future economic environment.

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

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

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 the declaration of independence to the Board as prescribed by the *Corporations Act 2001* (Cth) (the Corporations Act) as set out on page 31 and forms part of this report.

Proceedings on behalf of the Bank

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.

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 million dollars, or in certain cases, to the nearest dollar.

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

Maree O'Halloran

Maree O'Halloran AM
Chair

Andrew Kearnan
Deputy Chair & Chair of the Audit Committee

Signed and dated this 26th day of August 2024.

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* (Cth), including:

   i. Giving a true and fair view of the financial position as at 30 June 2024 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*.

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.

d. The consolidated entity disclosure statement on page 83 is true and correct.

Signed in accordance with a resolution of the Directors:

Maree O'Halloran, Chair

Signed and dated this 26th day of August 2024

Auditor's Independence Declaration

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T +61 2 8297 2400

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 2024, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 26 August 2024

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Independent auditor's report

Grant Thornton Audit Pty Ltd
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1230

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Independent Auditor's Report

To the Members of Teachers Mutual Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Teachers Mutual Bank Limited (the Company) and its controlled entities (the Group), which comprises the statement of financial position as at 30 June 2024, 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 material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2024 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 Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2024, 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 Group are responsible for the preparation of:

a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (other than the consolidated entity disclosure statement); and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

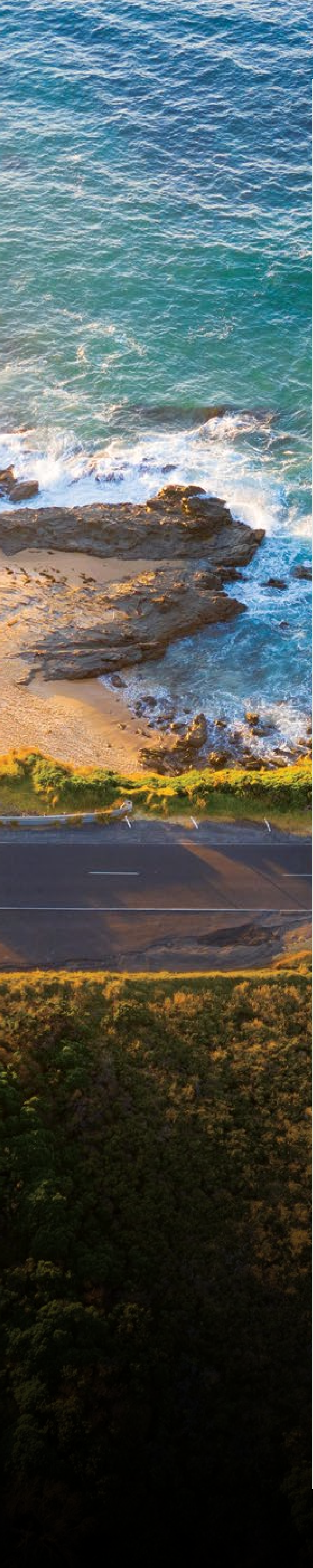
Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 26 August 2024

Grant Thornton Australia Limited

Financial *statements* and Notes



Financial Statements and Notes

Income and other comprehensive income statements

For the year ended 30 June 2024

	Note	2024 $m	2023 $m
Interest revenue	2(a)	504.2	353.0
Interest expense	2(b)	(320.1)	(173.7)
Net interest revenue		**184.1**	**179.3**
Fee and commission revenue	2(c)	15.1	14.3
Other income	2(d)	1.4	4.0
Net operating income		**200.6**	**197.6**
Credit impairment charge	2(e)	(1.4)	(0.9)
Operating expenses	2(f)	(164.3)	(155.9)
Total expenses		**(165.7)**	**(156.8)**
Profit before income tax		**34.9**	**40.8**
Income tax expense	3(a)	(10.4)	(12.9)
Profit attributable to members		**24.5**	**27.9**

OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	Note	2024 $m	2023 $m
Items that will not be reclassified subsequently to profit and loss:			
– Revaluation of land and buildings	19	–	(0.2)
Total other comprehensive income		**–**	**(0.2)**
Total comprehensive income		**24.5**	**27.7**

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

Statement of financial position

As at 30 June 2024

	Note	2024 $m	2023* $m
ASSETS			
Cash and cash equivalents*	4	155.9	133.6
Receivables	7	11.1	22.7
Other financial assets*	8	1,843.2	1,632.4
Prepayments and other assets	9	8.1	6.7
Derivative assets held for hedging purposes	10	–	2.1
Current tax assets	3(c)	0.9	0.6
Loans and advances to members	5	9,477.0	8,869.8
Property, plant and equipment	11	62.9	64.2
Right-of-use assets	12	1.1	2.9
Intangible assets	13	0.6	0.8
Deferred tax assets	3(d)	14.0	12.0
Total assets		**11,574.8**	**10,747.8**
LIABILITIES			
Wholesale sector funding	15	1,595.2	1,243.9
Retail deposits	16	9,143.1	8,383.3
Creditor accruals and settlement accounts	17	31.5	25.0
Derivative liabilities held for hedging purposes	10	–	2.1
Current taxation liabilities	3(b)	1.6	1.2
Provisions	18	68.0	55.5
Borrowings	14	–	324.7
Lease liabilities	12(b)	1.2	2.9
Deferred tax liabilities	3(d)	7.3	6.8
Total liabilities		**10,847.9**	**10,045.4**
Net assets		**726.9**	**702.4**
MEMBERS' EQUITY			
Reserves	19	30.1	30.1
Retained earnings		696.8	672.3
Total members' equity		**726.9**	**702.4**

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

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to Other financial assets.

Statement of changes in member equity

For the year ended 30 June 2024

	Reserves $m	Retained earnings $m	Total equity $m
Total at 1 July 2022	30.2	643.9	674.1
Total comprehensive income for the year	(0.2)	27.9	27.7
Subtotal	**30.0**	**671.8**	**701.8**
Transfers to (from) reserves	0.1	0.5	0.6
Total at 30 June 2023	**30.1**	**672.3**	**702.4**
Total at 1 July 2023	30.1	672.3	702.4
Total comprehensive income for the year	–	24.5	24.5
Subtotal	**30.1**	**696.8**	**726.9**
Transfers to (from) reserves	–	–	–
Total at 30 June 2024	**30.1**	**696.8**	**726.9**

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

Statement of cash flows

For the year ended 30 June 2024

	Note	2024 $m	2023* $m
OPERATING ACTIVITIES			
Inflows			
Interest received		504.9	346.5
Fees and commissions		14.9	14.2
Dividends received		0.7	0.7
Other non-interest income received		0.7	2.2
Outflows			
Interest paid		(316.3)	(122.3)
Suppliers and employees		(159.4)	(151.0)
Income taxes paid		(11.5)	(13.1)
Net cash from revenue activities		**34.0**	**77.2**
Inflows (outflows) from other operating activities			
Loans and advances to members (net movement)		(599.5)	(186.1)
Retail deposits (net movement)		777.8	(254.6)
Net cash from operating activities	**29**	**212.3**	**(363.5)**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		0.2	3.6
Purchase of property, plant and equipment		(1.6)	(1.9)
Purchase of intangible assets		(0.1)	(0.2)
Proceeds on sale of other investments		–	0.2
Deposits with other financial institutions (net movement)		(210.8)	(85.5)
Net cash from investing activities		**(212.3)**	**(83.8)**
FINANCING ACTIVITIES			
Wholesale sector (net movement)		347.7	635.6
Borrowings (net movement)		(324.7)	(170.2)
Lease principal payments		(0.7)	(0.7)
Net cash from financing activities		**22.3**	**464.7**
Net change in cash and cash equivalents		22.3	17.4
Cash at the beginning of the year*		133.6	116.2
Cash at the end of the year*	**4**	**155.9**	**133.6**

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

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to Other financial assets.

Notes to the financial statements

For the year ended 30 June 2024

1. Basis of preparation

a. General information and statement of compliance

This financial report of Teachers Mutual Bank Limited (the Bank) was authorised for issue on 26 August 2024, in accordance with a resolution of the Board of Directors.

The Teachers Mutual Bank Group (the Group) consists of the Bank and its controlled entities, Tertiary Travel Service Pty Ltd and EdSec Funding Trust No. 1. The Bank has elected to present one set of financial statements to represent both the Bank as an individual bank and the Group on the basis that the impact of consolidation is not material to the Bank.

The general purpose financial statements of the Bank have been prepared in accordance with the requirements of the *Corporations Act 2001*, 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). The Bank is a for-profit entity for the purpose of preparing the financial statements.

b. Basis of measurement

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

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

c. Functional and presentation currency

These financial statements are presented in Australian dollars, which is also the functional currency of the Bank.

d. New standards and interpretations applicable for the current year

The Bank has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2023:

- AASB 2021–2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021–5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The above amendments have had no impact on the financial report at the date of adoption.

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

e. Accounting estimates and judgements

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

- Note 6 – Expected credit losses
- Note 8 – Valuation of shares in unlisted companies
- Note 11 – Fair value of land and buildings
- Note 12 – Determination of lease term
- Note 18 – Provisions resulting from consumer remediation
- Note 28 – De-recognition of loans assigned to a special purpose vehicle used for securitisation purposes

f. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

g. 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 million dollars, or in certain cases, the nearest dollar.

2. Operating profit before income tax

a. Interest revenue

	2024 $m	2023 $m
INTEREST REVENUE		
Receivables from financial institutions	87.1	56.2
Loans and advances to members	394.2	276.1
Derivatives interest income	22.9	20.7
Total interest revenue	**504.2**	**353.0**

b. Interest expense

	2024 $m	2023 $m
INTEREST EXPENSE		
Retail deposits	229.3	112.1
Borrowings	67.4	40.8
Derivatives interest expense	22.9	20.7
Other	0.5	0.1
Total interest expense	**320.1**	**173.7**

c. Fee and commission revenue

	2024 $m	2023 $m
FEE AND COMMISSION REVENUE		
Loan fee income	3.4	2.6
Other fee income	1.2	1.7
Insurance commissions	4.3	4.1
Other commissions	6.2	5.9
Total fee and commission revenue	**15.1**	**14.3**

d. Other income

	2024 $m	2023 $m
OTHER INCOME		
Dividends received	0.7	0.7
Gain on disposal of property, plant and equipment	–	0.8
Grants received	–	1.5
Miscellaneous income	0.7	1.0
Total other income	**1.4**	**4.0**

e. Credit impairment charge

	2024 $m	2023 $m
Increase in provision for expected credit losses	1.1	0.8
Bad debts written off directly against profit	0.8	0.7
Bad debts recovered	(0.5)	(0.6)
Credit impairment charge	**1.4**	**0.9**

f. Operating expenses

	2024 $m	2023 $m
Salary and related costs	97.3	91.5
Transaction costs	18.9	18.6
Information technology costs	18.7	18.2
Research, marketing and sponsorships	6.2	7.8
Office occupancy	3.6	3.8
Professional fees	4.4	4.4
Audit remuneration	0.4	0.4
Depreciation and amortisation expenses	3.7	3.9
Other expenses	11.1	7.3
Total operating expense	**164.3**	**155.9**

g. Auditor's remuneration

	2024 $	2023 $
AUDITOR'S REMUNERATION		
Audit fees	287,427	345,605
Other services – compliance	27,777	4,653
Other services – other assurance	59,710	16,230
Total auditor's remuneration	**374,914**	**366,488**

Other audit services consist of assurance and related services traditionally performed by the independent external auditor of the Bank. Such services may include engagements required under regulatory, prudential or legislative programs as well as reviews requested by regulators and other agreed-upon procedures.

Recognition and measurement

Interest revenue

Interest income on loans is calculated on the daily balance outstanding and is charged in arrears to a member's account monthly. Interest income is recognised in the income statement as it accrues, using the effective interest method. Loan establishment fees and costs, including upfront broker commission, are also included in the effective interest method and are amortised over the average life of the loan.

Interest income on deposits with other financial institutions, derivatives and investment securities is calculated on an accruals basis using the effective interest method.

Interest expense

Interest payable on deposits is calculated on the daily balance outstanding and is credited in arrears periodically. Interest expense is recognised in the income statement as it accrues, using the effective interest method. Interest payable on borrowings is calculated on an accruals basis using the effective interest method.

Non-interest revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Revenue is reported net of the amount of goods and services tax (GST). Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due or where the costs incurred or to be incurred cannot be measured reliably.

Loan fee income

Loan fee income includes fees other than those that are integral to the lending arrangement. Fee income primarily comprises account transaction and monthly fees, processing fees, credit card fees, loan package fees and overdraft fees.

Fee income is either transaction-based and is therefore recognised when the performance obligation related to the transaction is fulfilled; or related to performance obligations carried out over a period of time and therefore recognised on a systematic basis over the life of the agreement as the services are provided.

Commission income

Commission income comprises insurance commissions received under an agency agreement as well as VISA/Amex interchange commission. The Bank has determined that performance obligations associated with commissions are met at the time the insurance policy is written or VISA/Amex debit or credit card is used by a member.

Dividends

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

3. Income tax

a. Income tax expense

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

	2024 $m	2023 $m
Current tax provision	11.9	13.7
Adjustments for previous years	–	0.3
Total current income tax expense	**11.9**	**14.0**
DEFERRED TAX		
Origination and reversal of temporary differences	(1.5)	(1.1)
Total movement in temporary differences	**(1.5)**	**(1.1)**
Total income tax expense in income statement	**10.4**	**12.9**

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

	2024 $m	2023 $m
Profit before income tax	**34.9**	**40.8**
Prima facie tax payable on profit before income tax at 30%	10.4	12.3
Add		
– Tax effect of expenses not deductible	0.1	0.8
Less		
– Tax effect of income not assessable	–	(0.2)
Subtotal	**10.5**	**12.9**
Add		
– Adjustments to recognise deferred tax assets and liabilities	0.1	(0.1)
– Previously unrecognised tax losses now recouped to reduce current tax charge	–	0.1
Less		
– Under provision of tax in prior years	–	0.2
– Franking rebate	(0.2)	(0.2)
Income tax expense attributable to current year profit	**10.4**	**12.9**

(iii) Franking credits

	2024 $m	2023 $m
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year*	284.7	273.0

*The prior year comparatives have been restated to include franking credits on dividends received.

b. Current tax liabilities

	2024 $m	2023 $m
Current income tax liability	1.0	0.6
Other tax liabilities	0.6	0.6
Total current taxation liabilities	**1.6**	**1.2**

CURRENT INCOME TAX LIABILITY COMPRISES:		
Balance, previous year	0.6	0.2
Paid for prior year	(0.6)	(0.4)
Under statement in prior year	–	0.2
Liability for income tax in current year	11.9	13.7
Less: Instalments paid in current year	(10.9)	(13.1)
Current income tax liability	**1.0**	**0.6**

c. Current tax assets

	2024 $m	2023 $m
GST Debtor	0.6	0.3
Other	0.3	0.3
Current tax assets	**0.9**	**0.6**

d. Deferred tax asset and liability

(i) Deferred tax recognised directly in equity

	2024 $m	2023 $m
Net gain on revaluation of land and buildings	5.0	5.0
Unrealised gain on asset held at fair value	1.4	1.4

(ii) Deferred taxes

	2024 $m	2023 $m
DEFERRED TAX ASSETS COMPRISE:		
Accrued expenses not deductible until incurred	0.2	0.2
Expected credit losses	2.3	2.0
Provisions for employee benefits	7.7	7.9
Provisions for other liabilities	2.8	1.4
Depreciation on property, plant and equipment	0.7	0.2
Amortisation of intangible assets	0.3	0.3
Deferred tax assets	**14.0**	**12.0**

	2024 $m	2023 $m
DEFERRED TAX LIABILITIES COMPRISE:		
Tax due revalued property held in equity	5.0	5.0
Assets held at FVOCI	1.4	1.4
Other	0.9	0.4
Deferred tax liabilities	**7.3**	**6.8**
DEFERRED TAXES, NET		
Deferred tax assets	14.0	12.0
Deferred tax liabilities	(7.3)	(6.8)
Deferred tax asset, net	**6.7**	**5.2**

Recognition and measurement

Income tax expense

Tax expense recognised in the income statement 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 Australian Taxation Office (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% (2023: 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 or 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.

4. Cash and cash equivalents

	2024 $m	2023 $m
Cash on hand	0.9	0.7
Cash and deposits at call with other financial institutions	155.0	132.9
	155.9	**133.6**

Cash equivalents are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

During the current year, the security deposit of $55 million with Cuscal Limited was reclassified to other financial assets. Prior year comparatives have been restated accordingly.

Recognition and measurement

Cash and cash equivalents include notes and coins on hand, cash on deposit 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 statement 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.

5. Loans and advances to members

a. Gross carrying amounts of loans and advances

	2024 $m	2023 $m
Overdrafts and credit cards	71.7	69.9
Term loans	9,356.7	8,759.4
Overdrawn savings	0.1	0.1
Subtotal	**9,428.5**	**8,829.4**
Add: Loan origination costs and broker commissions	56.1	46.9
Less: Expected Credit Loss Provision (Note 6)	(7.6)	(6.5)
Net loans and advances to members	**9,477.0**	**8,869.8**

The following table shows the Bank's contractual maturity profile of loans and advances as at 30 June.

MATURITY ANALYSIS – GROSS LOANS AND ADVANCES	2024 $m	2023 $m
Up to 1 year	2.9	2.7
1 to 5 years	168.0	153.2
Over 5 years	9,257.6	8,673.5
Total	**9,428.5**	**8,829.4**

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 costs directly attributable to the origination of the loan. These costs are amortised over the expected life of the loan and are subsequently measured at amortised cost using the effective interest method, less expected credit losses.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating future cash flows, the Bank considers all contractual terms of the loan or advance excluding any expected credit losses. 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. Securitised loans

The Bank maintains a securitisation trust, the EdSec Funding Trust No. 1 (the Trust), which issues notes that meet the Reserve Bank of Australia's criteria for borrowing funds via Repurchase Agreements for emergency liquidity requirements. The Bank holds all notes issued by the Trust, manages the loans, and retains all residual benefits and costs of the portfolio. As the Trust meets the definition of a controlled entity and the Bank has not transferred substantially all of the risks and rewards to the Trust, the assigned loans are not de-recognised in the financial statements of the Bank. The Bank did not participate in securitisation other than internal securitisation.

	2024 $m	2023 $m
EdSec Funding Trust No.1	1,906.9	1,628.9

6. Expected credit losses

Measurement of ECL

The Bank utilises a forward-looking expected credit loss (ECL) approach to determine provisioning with respect to loans and advances, in accordance with AASB 9 Financial Instruments. The key inputs into the measurement of ECL include the following variables.

- Exposure at default (EAD) – represents the estimated 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. 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.
- Probability of default (PD) – PD estimates are calculated based on historic default behaviour using various methods, including a roll rate transition matrix. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations, without recourse by the Bank to actions such as realisation of available security, or the borrower is 90 days or more past due.
- Loss given default (LGD) – the magnitude of the likely loss if there is a default. LGD is estimated using historical loss rates and external benchmarks, considering relevant factors for individual portfolios.

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.

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

Model stages

The three-stage approach utilised by the Bank to measure ECL is described below.

- Stage 1 – For financial assets where there has not been a significant increase in credit risk (SICR) since initial recognition and are not credit impaired upon origination, a 12-month ECL is recognised.
- Stage 2 – Where there has been a SICR, measurement of ECL is determined by a probability weighted estimate of credit losses over the financial assets' expected lifetime.
- Stage 3 – Financial assets that are deemed to be credit impaired, including exposures that are 90 days or more past due, or where it has been assessed that the borrower is unlikely to pay.

Grouping of similar assets

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

The Bank has elected to use the following segments when calculating ECL.

- Home loan portfolio – home loans secured by residential mortgages
- Personal loans
- Credit cards
- RediCredit portfolio – personal overdraft facilities

Significant increase in credit risk

When assessing exposures to determine whether there has been a SICR, 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 forward-looking information.

The following factors have been considered in determining whether there has been a SICR since initial recognition.

- Loans are considered to have experienced a SICR if they are past due by more than 30 days or the equivalent of one monthly payment, whichever is earlier. The Bank does not rebut the presumption that there has been a SICR since initial recognition when financial assets are more than 30 days past due.
- Borrowers are experiencing financial hardship and payments are subject to deferral or other arrangements.
- Certain loans identified as experiencing a SICR due to potential stress within the home loan portfolio caused by factors including interest rate rises impacting fixed rate loans when they expire.

Definition of default

The Bank's definition of default is the point when the borrower is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realising security, or is more than 90 days past due on an obligation to the Bank. This is aligned to APRA's regulatory definition of default contained in Prudential Standard APS 220 Credit Risk Management.

Incorporation of forward-looking information

The approach to determining the ECL includes consideration of forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting ECL for each portfolio.

The Bank applies professional judgement in determining whether there are any inherent risks in the predictive outcome of the models. 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.

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

The Bank has considered forward-looking information such as the impact of future unemployment rates, interest rates, property prices and other economic indicators when constructing and weighting the scenarios. Scenarios have been developed using publicly available data combined with management judgement.

For the current reporting period, the Bank has generated two alternative scenarios in addition to the baseline scenario, being a downside and an extreme downside economic environment. The alternative scenarios have been compared to the baseline on a relative basis. The downside scenarios have been set relative to the base scenario using macroeconomic conditions that represent plausible but less likely alternatives to the base scenario.

Future economic conditions may differ from the scenarios determined, the impact of which will be accounted for in future reporting periods.

The table below indicates the three macroeconomic scenarios the Bank has used to reflect a probability-weighted range of possible future outcomes in estimating the ECL.

Scenario	Definition
Base case	The base case scenario assumes that unemployment will remain constant at 4.5% and CPI forecast will decrease from 3.8% in 2025 to 2.5% in 2027.
Downside	Economic slowdown: Unemployment is projected to increase to 7% in 2025 and is forecast to remain at that level until 2027. CPI is projected to increase to 6% in 2025 before decreasing to 4% in 2027.
Extreme downside	Economic recession: Unemployment is projected to increase to 9% in 2025 and is forecast to remain at that level until 2027. CPI is projected to increase to 8% in 2025 before decreasing to 6% in 2027.

Probability weightings

The table below indicates the weightings used by the Bank in calculating the ECL.

	2024	2023
Base	55%	40%
Downside	32%	50%
Extreme downside	13%	10%

ECL sensitivity analysis

The table below illustrates the sensitivity to key factors used in determining the ECL as at 30 June 2024, assuming 100% weighting and holding all other assumptions (including forward-looking adjustments) constant.

	2024 $m
100% Base scenario	5.9
100% Downside scenario	8.8
100% Extreme downside scenario	11.3

Overlays

Portfolio overlays are used to capture potential risk and uncertainty in the portfolio, that are not captured in the underlying modelled ECL. Determination of portfolio overlays requires expert judgement and is subject to internal governance and oversight. Overlays are periodically reassessed and re-measured. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments. Total portfolio overlays as at 30 June 2024 were $0.9 million (2003: $4.7 million), reflecting potential borrower stress from higher interest rates, cost of living pressures and other risks. The reduction in overlay is attributable to the implementation of a newly enhanced ECL model which provides greater accuracy in estimating credit losses, thereby reducing the need for additional management overlays.

Write-offs

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 2024 was $0.5 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 judgment of management, indicate that payment will most likely continue. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in de-recognition 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 that have performed in accordance with the new terms for six consecutive months or more.

The following table reconciles the Bank's provision for ECL on loans, advances and credit commitments by stage.

The key line items in the reconciliation of provision for ECL represent the following:

- Transfers to/(from): represents transfers between Stages 1, 2 and 3 prior to re-measurement of the provision for ECL.
- Current loans: movements in provisions due to re-measurement between 12 months and lifetime ECL resulting from transfers of exposures between stages.
- New loans and advances: movement in provisions on loans and advances originated in the current period.
- Loans paid out: movement in provisions due to maturities and repayments of existing exposures.
- Model changes: movement due to changes in model and risk parameters, including changes in model assumptions, forward-looking economic scenarios, and other assumptions.
- Write-offs: de-recognition of loans and provisions upon write-offs.

	Stage 1 12-month ECL $m	Stage 2 Lifetime ECL $m	Stage 3 Lifetime ECL $m	Total $m
Opening provision at 1 July 2022	3.2	1.2	1.3	5.7
Transfers to/(from)				
– Stage 1	<0.1	<(0.1)	<(0.1)	–
– Stage 2	<(0.1)	<0.1	<(0.1)	–
– Stage 3	<(0.1)	<(0.1)	<0.1	–
Charge to income statement:				
Current loans	0.7	0.1	–	0.8
New loans and advances	1.6	0.1	0.1	1.8
Loans paid out	(0.7)	(0.5)	(0.4)	(1.6)
Write-offs	–	–	(0.2)	(0.2)
Loan impairment expense for the year	**1.6**	**(0.3)**	**(0.5)**	**0.8**
Closing provision at 30 June 2023	**4.8**	**0.9**	**0.8**	**6.5**

	Stage 1 12-month ECL $m	Stage 2 Lifetime ECL $m	Stage 3 Lifetime ECL $m	Total $m
Opening provision at 1 July 2023	4.8	0.9	0.8	6.5
Transfers to/(from)				
– Stage 1	<0.1	<(0.1)	<(0.1)	–
– Stage 2	<(0.1)	<0.1	<(0.1)	–
– Stage 3	<(0.1)	(0.1)	0.1	–
Charge to income statement:				
Current loans	(0.3)	–	0.7	0.4
New loans and advances	1.6	0.2	0.3	2.1
Loans paid out	(1.1)	(0.2)	(0.2)	(1.5)
Model changes	(2.1)	1.4	1.1	0.4
Write-offs	–	(0.1)	(0.2)	(0.3)
Loan impairment expense for the year	**(1.9)**	**1.3**	**1.7**	**1.1**
Closing provision at 30 June 2024	**2.9**	**2.2**	**2.5**	**7.6**

7. Receivables

	2024 $m	2023 $m
Interest receivable on deposits with other financial institutions	10.0	8.2
Sundry debtors and settlement accounts	1.1	14.5
Total receivables	**11.1**	**22.7**

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.

Impairment – Receivables

The Bank applies the AASB 9 simplified model of recognising lifetime expected credit losses for all receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on an individual risk basis due to the nature of the receivables. In most instances receivables would not share the same credit risk characteristics. Receivables are written off (or de-recognised) 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.

8. Other financial assets

	2024 $m	2023 $m
AMORTISED COST		
Due from other financial institutions		
Negotiable certificates of deposit	421.0	365.7
Covered bonds	31.7	31.7
Floating rate notes	1,163.4	999.8
Bonds	8.4	11.5
Residential mortgage-backed securities	20.5	27.5
Other (EdSec and Cuscal Limited)	133.7	123.7
Due from central borrowing authorities		
Floating rate notes	54.0	61.0
Bonds	0.5	1.5
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Equity instruments – Shares in unlisted entities	10.0	10.0
Total value of other financial assets	**1,843.2**	**1,632.4**

Other financial assets include restricted balances which represent deposits held in securitisation trust collection accounts of $79 million (2023: $69 million) and security deposit obligations with Cuscal Limited of $55 million (2023: $55 million), which are not available for use by the Bank.

During the current year, the security deposit with Cuscal Limited was reclassified from cash and cash equivalents to other financial assets. Prior year comparatives have been restated accordingly.

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)
- Fair value through other comprehensive income (FVOCI)

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

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 a 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.

Gains and losses are recognised in the income statement when the financial assets are de-recognised 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 through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at 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.

Fair Value through Other Comprehensive Income (FVOCI)

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

Disclosures on shares valued with unobservable inputs

	2024 $m		2023 $m	
FAIR VALUE MEASUREMENT FOR SHARES IN UNLISTED EQUITIES	**Fair value**	**Cost**	**Fair value**	**Cost**
Cuscal Limited	10.0	5.5	10.0	5.5
Total	**10.0**	**5.5**	**10.0**	**5.5**

Cuscal Limited (Cuscal)

Cuscal is an unlisted public company that is primarily owned by mutual ADIs. Trading in its shares is very limited and information on such trading is not publicly available. Management has used the unobservable inputs to assess the fair value of the shares. 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 utilised the financial information available to determine fair value.

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 (2023: Nil).

9. Prepayments

	2024 $m	2023 $m
Prepayments	8.1	6.7
Total	**8.1**	**6.7**

10. Derivative assets held for hedging purposes

The table below provides 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 23.

EdSec Funding Trust No. 1 (see Note 28) entered into a fixed-for-floating swap of $1.4 billion with a third party on 14 December 2020 for a five-year term. The Bank entered into a back-to-back swap with the same third party. The fixed-for-floating swap was extinguished in June 2024.

	2024 $m		2023 $m	
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	–	2.1	2.1

Recognition and measurement

Interest rate swaps

The Bank may enter into 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 is documented at the inception of the hedge. Existing hedges are tested on a retrospective basis to ensure that gains and losses on any ineffective portion of hedges are reported through profit and loss. Fair values of derivative instruments used for hedging purposes are provided in Note 23. Movements in the hedging reserve are provided in Note 19.

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, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

11. Property, plant and equipment

	2024 $m	2023 $m
Land, at fair value	**40.8**	**40.8**
Buildings, at fair value	19.0	19.0
Less: Accumulated depreciation	(2.6)	(2.1)
Net buildings	**16.4**	**16.9**
Total land and buildings	**57.2**	**57.7**
Plant and equipment at cost	38.4	37.9
Less: Accumulated depreciation	(33.2)	(31.8)
Total plant and equipment	**5.2**	**6.1**
Capitalised leasehold improvements, at cost	1.5	1.1
Less: Accumulated amortisation	(1.0)	(0.7)
Total capitalised leasehold improvements	**0.5**	**0.4**
Total property, plant and equipment	**62.9**	**64.2**

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

	2024 $m	2023 $m
Land, at cost	**11.2**	**11.2**
Buildings, at cost	34.6	34.6
Less: Accumulated depreciation	(20.5)	(19.6)
Net buildings	**14.1**	**15.0**
Carrying amount land and buildings	**25.3**	**26.2**

b. Movement in asset balances during the year

	Land $m	Buildings $m	Plant & equipment $m	Leasehold improvement $m	Total $m
Carrying amount at 1 July 2022	42.9	18.3	6.5	0.6	68.3
Additions	–	–	1.9	–	1.9
Less: Assets disposed	(2.1)	(0.9)	–	–	(3.0)
Less: Depreciation charge	–	(0.5)	(2.3)	(0.2)	(3.0)
Carrying amount at 30 June 2023	**40.8**	**16.9**	**6.1**	**0.4**	**64.2**
Carrying amount at 1 July 2023	40.8	16.9	6.1	0.4	64.2
Additions	–	–	1.3	0.3	1.6
Less: Assets disposed	–	–	(0.1)	–	(0.1)
Less: Depreciation charge	–	(0.5)	(2.1)	(0.2)	(2.8)
Carrying amount at 30 June 2024	**40.8**	**16.4**	**5.2**	**0.5**	**62.9**

Recognition and measurement

The land and buildings 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 three years by an independent valuation. In addition, an internal assessment is performed yearly to test that the amount is approximate to fair value. The properties were last revalued by an independent valuer during the 2022 financial year.

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 as at balance date are:

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

12. Leases

a. Right-of-use assets

	2024 $m	2023 $m
Office buildings	3.0	4.4
Less: Accumulated depreciation	(2.1)	(1.8)
Total office buildings	**0.9**	**2.6**
Office equipment	0.3	0.3
Less: Accumulated depreciation	(0.1)	–
Total office equipment	**0.2**	**0.3**
Total right-of-use assets	**1.1**	**2.9**

Movements in the asset balances during the year were:

	Office buildings $m	Office equipment $m	Total $m
Opening balance at 1 July 2022	2.4	0.1	2.5
Additions	0.3	0.3	0.6
Other adjustments	0.6	–	0.6
Less: Disposals	(0.2)	–	(0.2)
Less: Depreciation charge	(0.5)	(0.1)	(0.6)
Closing balance at 30 June 2023	**2.6**	**0.3**	**2.9**
Opening balance at 1 July 2023	2.6	0.3	2.9
Additions	–	–	–
Other adjustments	(1.1)	–	(1.1)
Less: Disposals	(0.1)	–	(0.1)
Less: Depreciation charge	(0.5)	(0.1)	(0.6)
Closing balance at 30 June 2024	**0.9**	**0.2**	**1.1**

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 (see Note 11).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The table below describes the nature of the 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	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office building	0–5 years	4 years	3	–	–	–

b. Lease liabilities

	2024 $m	2023 $m
Current	0.5	0.5
Non-current	0.7	2.4
Total lease liabilities	**1.2**	**2.9**

Future minimum lease payments at 30 June were as follows.

	MINIMUM LEASE PAYMENT DUE			
30 June 2024	Within 1 year $m	Between 2–5 years $m	After 5 years $m	Total $m
Lease payments	(0.5)	(0.7)	–	**(1.2)**
Finance charges	–	–	–	**–**
Net present value	(0.5)	(0.7)	–	**(1.2)**

	MINIMUM LEASE PAYMENT DUE			
30 June 2023	Within 1 year $m	Between 2–5 years $m	After 5 years $m	Total $m
Lease payments	(0.7)	(2.2)	(0.6)	**(3.5)**
Finance charges	0.2	0.4	–	**0.6**
Net present value	(0.5)	(1.8)	(0.6)	**(2.9)**

The total cash outflow for leases in 2024, including leases of low-value assets was $1,021,809 (2023: $1,122,606).

Recognition and measurement

At the 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 three key evaluations which are:

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

	2024 $m	2023 $m
Leases of low-value assets	0.4	0.4
Total	**0.4**	**0.4**

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 the extension options or not exercise a termination option.

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 a decrease of $1,025,255 in the recognised lease liabilities and right-of-use assets (2023: an increase of $568,579).

13. Intangible assets

	2024 $m	2023 $m
Computer software, at cost	22.5	22.3
Less: Accumulated amortisation	(21.9)	(21.5)
Total intangible assets	**0.6**	**0.8**

Movement in balances during the year

	2024 $m	2023 $m
Opening balance	0.8	1.0
Additions	0.1	0.1
Less: Amortisation charge	(0.3)	(0.3)
Closing balance	**0.6**	**0.8**

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 incurred.

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

- 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.
- Software will generate probable future economic benefits.

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

Employee directly attributable costs include costs for software development along with an appropriate portion of relevant overheads and borrowing costs.

SaaS (Software as a Service)

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 for obtaining access to the cloud provider's application software are recognised as expenses when the services are received. The costs are either prepaid or expensed depending on whether they are distinct. Costs incurred for the development of software code that creates additional capability to existing on-premises systems and meets 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 and 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 income statement 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, a 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 the 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 the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

14. Borrowings

	2024 $m	2023 $m
Term Funding Facility	–	324.7
Total borrowings	**–**	**324.7**

The final tranche of the Term Funding Facility provided by the RBA was repaid on 7 June 2024.

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.

Overdraft facility	2024 $m	2023 $m
Gross facility amount	5.0	5.0
Less: Current borrowing	–	–
Net available	**5.0**	**5.0**

The Bank has an overdraft facility with Cuscal and maintains a security deposit of $55 million (2023: $55 million) with Cuscal to secure this facility and settlement services. No other form of security is provided by the Bank. Interest rates are variable. At 30 June 2024, this facility was not utilised.

15. Wholesale sector funding

	2024 $m	2023 $m
Negotiable certificates of deposit on issue	460.9	478.6
Floating rate notes on issue	707.8	456.6
Wholesale deposits	426.5	308.7
Total wholesale sector funding	**1,595.2**	**1,243.9**

Recognition and measurement

Deposits from other financial institutions

Deposits from other financial institutions include term deposits, floating rate notes and negotiable certificates of deposit. 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 income statement 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.

16. Retail deposits

Retail deposits at amortised cost

	2024 $m	2023 $m
At call	5,828.4	4,770.6
Term	3,312.3	3,610.3
Member withdrawable shares	2.4	2.4
Total retail deposits	**9,143.1**	**8,383.3**

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.

17. Creditors, accruals and settlement accounts

	2024 $m	2023 $m
Creditors and accruals	4.8	5.1
Interest payable on borrowings	–	1.6
Unearned income	1.3	1.4
Settlement accounts	25.4	16.9
Total creditors, accruals and settlement accounts	**31.5**	**25.0**

18. Provisions

	2024 $m	2023 $m
Employee entitlements	25.1	25.5
Lease make good of premises	0.4	0.5
Broker trail commission	37.2	28.9
Consumer remediation	5.1	0.4
Sundry	0.2	0.2
Total provisions	**68.0**	**55.5**

Provision movements comprise:

	Employee entitlements $m	Lease make good of premises $m	Broker trail commission $m	Consumer remediation $m	Sundry $m	Total $m
At 1 July 2022						
Opening balance	23.3	0.4	20.7	–	0.3	44.7
Net provision recognised/ (utilised)	11.4	0.1	16.5	0.4	(0.1)	28.3
Cash payment	(9.2)	–	(8.3)	–	–	(17.5)
At 30 June 2023	**25.5**	**0.5**	**28.9**	**0.4**	**0.2**	**55.5**
Net provision recognised/ (utilised)	(8.8)	(0.1)	17.7	5.0	0.1	13.9
Cash payment	8.4	–	(9.4)	(0.3)	(0.1)	(1.4)
At 30 June 2024	**25.1**	**0.4**	**37.2**	**5.1**	**0.2**	**68.0**

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.

Provisions payable later than one year have been measured at the present value by discounting the expected future cash outflows at a rate that reflects a current market assessment of the time value of money and the risks specific to the liability.

Employee entitlements

Employee entitlements expected to be settled within 12 months of the end of the reporting period have been measured at their nominal amount. Employee entitlements 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 entitlements 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 the 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.

Leasehold make good

The Bank is required to restore the lease premises of its office buildings 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.

Broker trail commission

Broker trail commission has been measured at the present value of the estimated future cash outflows, discounted using government securities of a similar term.

Consumer remediation

The Bank undertakes ongoing compliance activities, including reviewing products, advice, conduct and services provided to clients, as well as interest, fees and premiums charged, including insurance distribution. Items requiring remediation are self-identified through these compliance activities and thorough reviews of member feedback.

Some of these investigations and reviews have resulted in remediation programs and where required, the Bank consults with the respective regulator on the proposed remediation action.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available.

19. Reserves

	Redeemed member share reserve $m	Property revaluation reserve $m	Equity FVOCI reserve $m	Total reserves $m
Balance at 1 July 2022	**0.9**	**26.2**	**3.2**	**30.3**
Financial assets FVOCI:				
– Current year gains/(losses) – items that may be reclassified subsequently to profit or loss	0.1	(0.3)	–	(0.2)
Before tax	1.0	25.9	3.2	30.1
Tax benefit (expense)	–	–	–	–
Balance at 30 June 2023	1.0	25.9	3.2	30.1
Balance at 1 July 2023	**1.0**	**25.9**	**3.2**	**30.1**
Financial assets FVOCI:				
– Current year gains/(losses) – items that may be reclassified subsequently to profit or loss	–	–	–	–
Before tax	1.0	25.9	3.2	30.1
Tax benefit (expense)	–	–	–	–
Balance at 30 June 2024	**1.0**	**25.9**	**3.2**	**30.1**

Recognition and measurement

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

Refer to Note 8.

20. Financial risk management

Overview of risk management framework

The Bank is exposed to a range of strategic, financial and non-financial risks arising from its operations. The Bank manages these risks through its Risk Management Framework, which is aligned with the business operating environment, industry-standard approaches and community expectations. Further details on the Risk Management Framework can be found in the Risk Management report of this Annual Report.

This note provides an overview of the financial risk management policies, practices and quantitative information for the Bank's key financial risk exposures.

a. Credit risk

Credit risk is the risk that counterparties will be unable to meet their contractual obligations when they fall due, resulting in financial loss. Credit risk arises principally from the Bank's lending and investment activities which are managed according to the Board-approved credit risk management framework.

Credit risk management framework

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

- Board-approved credit policies;
- Board-approved credit delegations and limits;
- documented principles, methodologies, processes, systems, roles and responsibilities, and key controls for managing credit risk;
- comprehensive credit assessment process;
- monitoring by business units and oversight by Risk on a portfolio basis, including geography, sector and loan valuation concentrations; and
- wholesale limits and ratings are reviewed at least once a year by the Assets and Liabilities Committee.

Loans and advances – credit risk

Credit risk on loans and advances arises from the potential that a borrower will fail to meet their obligations in accordance with the agreed terms. The key aspects of credit risk on loans and advances include:

(i) Concentration risk

Individual customers or groups of related customers

There are no customers or members who individually or collectively have loans that represent 10% or more of members' equity.

Specific employment sectors

Credit risk is concentrated towards members who are employed in the education, health and emergency services sectors. This concentration is considered acceptable on the basis that the Bank was formed to service these members, the sectors are essential and stable, and employment concentration is not restricted to any one employer.

Geographical concentration

The Bank has historically had a high concentration of members and security property within NSW due to its origins in the NSW public education system. Notwithstanding the higher NSW exposure across the lending portfolio as a whole, the portfolio remains well diversified geographically with respect to lending exposures with a loan-to-value ratio of greater than 70%.

(ii) Collateral held against loans and advances

The Bank holds collateral against certain loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees.

The below table shows the proportion of secured and unsecured loans and advances across the portfolio.

	2024 $m	2023 $m
Secured by mortgage over business assets	0.2	0.2
Secured by mortgage over real estate	9,258.6	8,679.6
Partly secured by goods mortgage	12.8	11.1
Wholly unsecured	156.9	138.5
Total	**9,428.5**	**8,829.4**

Home loans

Home loans are generally secured by mortgage interests over property located in Australia, other registered securities over assets, and guarantees. Estimates of fair value of collateral are assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

For home loans with a loan-to-valuation ratio (LVR) of more than 80%, either Lenders Mortgage Insurance (LMI) is taken out or a portion of the loan is guaranteed under the First Home Guarantee Scheme administered by the National Housing Finance and Investment Corporation (NHFIC) on behalf of the Australian Government.

The following table provides information on the level of collateral held and other credit risk mitigation in the form of LMI and NHFIC guarantees across the home loan portfolio:

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:	2024 $m	2023 $m
Loan to valuation ratio of less than 80%	7,193.5	6,542.7
Loan to valuation ratio of more than 80% but mortgage-insured	1,059.8	1,255.6
Loan to valuation ratio of more than 80% with First Home Loan Deposit Scheme guarantee	904.5	764.6
Loan to valuation ratio of more than 80%, not mortgage insured and no First Home Loan Deposit Scheme guarantee	100.8	116.7
Total	**9,258.6**	**8,679.6**

Other consumer loans

Other consumer loans include personal loans and credit cards which are predominantly unsecured.

Loans and advances – credit quality

The tables below disclose the gross carrying amount[1] of loans and advances measured at amortised cost, and off balance sheet exposures in line with the requirements of AASB 9 Financial Instruments.

30 June 2024	Stage 1[1] $m	Stage 2[1] $m	Stage 3[1] $m	Total $m
Credit exposure				
Home loans	8,241.1	952.9	63.4	9,257.4
Personal loans	97.4	1.1	0.9	99.4
Credit cards	55.3	0.4	0.4	56.1
Overdraft	15.4	0.1	0.1	15.6
Total on balance sheet	**8,409.2**	**954.5**	**64.8**	**9,428.5**
Off balance sheet				
Undrawn commitments	986.1	20.6	0.2	1,006.9
Total loans and advances	**9,395.3**	**975.1**	**65.0**	**10,435.4**

30 June 2023	Stage 1[1] $m	Stage 2[1] $m	Stage 3[1] $m	Total $m
Credit exposure				
Home loans	8,609.7	47.7	23.8	8,681.2
Personal loans	80.0	0.2	0.1	80.3
Credit cards	53.9	0.3	0.3	54.5
Overdraft	13.2	0.2	–	13.4
Total on balance sheet	**8,756.8**	**48.4**	**24.2**	**8,829.4**
Off balance sheet				
Undrawn commitments	631.5	0.8	0.1	632.4
Total loans and advances	**9,388.3**	**49.2**	**24.3**	**9,461.8**

1. For definitions of Stage 1, 2 and 3, see Note 6, Expected credit losses.

Investments – credit risk

The Bank maintains a treasury credit risk policy to limit risk associated with the investment of funds that are required to be held as high-quality liquid investments to be eligible for inclusion in the regulatory liquidity calculation. Limits are applied across individual country, individual counterparty, credit grading class and tenor dimensions. The Assets and Liabilities Committee approves individual credit limits, reviews large exposure to counterparties and oversees the annual review of counterparties.

Investments – credit quality

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

30 June 2024 INVESTMENTS RATED:	No. of institutions	Carrying value $m
A–1+ to A–1 (short-term)	9	510.9
A–2 or P–2 or F2 (short-term)	18	522.4
AAA (long term)	5	56.2
AA+ to AA- or Aa3 (long term)	7	433.1
A+ to A- (long-term)	8	347.1
BBB+ to BBB or Baa1 (long-term)	5	118.5
Total		**1,988.2**

30 June 2023 INVESTMENTS RATED:	No. of institutions	Carrying value $m
A–1+ to A–1 (short-term)	5	412.4
A–2 or P–2 or F2 (short-term)	16	380.0
AAA (long term)	4	59.1
AA+ to AA- or Aa3 (long term)	8	476.8
A+ to A- (long-term)	10	241.9
BBB+ to BBB or Baa1 (long-term)	7	185.1
Total		**1,755.3**

* 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.

b. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt, or that the Bank has insufficient capacity to fund increases in assets.

Key controls and risk mitigation strategies include:

- defined liquidity risk tolerances and appetite;
- the Bank's annual three-year funding strategy;
- maintaining a diverse, and stable pool of funding across counterparties, geographies and products;
- monitoring short and longer-term forecasted cash flows;
- conservatively managing the maturity mismatch between the Bank's financial assets and liabilities;
- maintaining adequate cash reserves, liquidity support facilities and borrowing facilities (Note 14 describes the borrowing facilities available);
- daily monitoring of liquidity ratios;
- maintaining a portfolio of high-quality liquidity assets and repo-eligible securities that qualify as collateral for repurchase agreements with the RBA, and
- maintaining a securitisation trust where the issued notes qualify as collateral for exceptional liquidity assistance from the RBA (Note 28 details the balance of loans securitised).

As an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA) we are required to comply with the requirements of prudential standard APS 210 Liquidity (APS 210). As a Minimum Liquidity Holding ADI the Bank must maintain a minimum holding of 9% of its liabilities in specified liquid assets, in accordance with APS 210. The Bank's lower tolerance has been determined at 12%, allowing a sufficient buffer for corrective action before reaching minimum prudential requirements.

Contractual maturity of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual term and, in the case of loans, the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained and is subject to change in the event that current repayment conditions are varied.

Financial assets and liabilities are stated at undiscounted values (including future interest expected to be earned or paid), and will not equate to values in the statement of financial position.

30 June 2024

	Within 1 month $m	> 1 to 3 months $m	> 3 to 12 months $m	> 1 to 5 years $m	> 5 years $m	No Maturity $m	Total $m	Statement of financial position $m
Assets								
Cash and cash equivalents	155.9	–	–	–	–	–	155.9	155.9
Receivables	4.4	5.6	8.3	88.2	37.5	–	144.0	11.1
Other financial assets	373.7	462.5	229.6	716.9	50.5	10.0	1,843.2	1,843.2
Loans and advances to members	69.3	137.7	614.5	2,849.8	12,923.5	–	16,594.8	9,477.0
Derivative assets held for hedging purposes	–	–	–	–	–	–	–	–
Total financial assets	**603.3**	**605.8**	**852.4**	**3,654.9**	**13,011.5**	**10.0**	**18,737.9**	**11,487.2**
Liabilities								
Wholesale sector funding	159.5	290.9	404.3	838.2	–	–	1,692.9	1,595.2
Retail deposits	3,992.1	737.7	3,032.2	1,452.0	–	3.2	9,217.2	9,143.1
Creditors, accruals and settlement accounts	31.5	–	–	–	–	–	31.5	31.5
Derivative liabilities held for hedging purposes	–	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–	–
Total financial liabilities	**4,183.1**	**1,028.6**	**3,436.5**	**2,290.2**	**–**	**3.2**	**10,941.6**	**10,769.8**

30 June 2023*

	Within 1 month $m	> 1 to 3 months $m	> 3 to 12 months $m	> 1 to 5 years $m	> 5 years $m	No Maturity $m	Total $m	Statement of financial position $m
Assets								
Cash and cash equivalents*	133.6	–	–	–	–	–	133.6	133.6
Receivables	15.1	5.6	4.2	111.1	38.7	–	174.7	22.7
Other financial assets*	164.7	466.7	151.1	811.9	28.0	10.0	1,632.4	1,632.4
Loans and advances to members	58.9	117.2	521.7	2,375.6	11,066.7	–	14,140.1	8,869.8
Derivative assets held for hedging purposes	2.1	–	–	–	–	–	2.1	2.1
Total financial assets	**374.4**	**589.5**	**677.0**	**3,298.6**	**11,133.4**	**10.0**	**16,082.9**	**10,660.6**
Liabilities								
Wholesale sector funding	166.3	328.7	185.4	636.3	–	–	1,316.7	1,243.9
Retail deposits	2,639.0	771.9	3,366.2	1,665.2	–	6.6	8,448.9	8,383.3
Creditors, accruals and settlement accounts	25.0	–	–	–	–	–	25.0	25.0
Derivative liabilities held for hedging purposes	2.1	–	–	–	–	–	2.1	2.1
Borrowings	–	192.8	131.9	–	–	–	324.7	324.7
Total financial liabilities	**2,832.4**	**1,293.4**	**3,683.5**	**2,301.5**	**–**	**6.6**	**10,117.4**	**9,979.0**

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to other financial assets.

c. Market risk

Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability of the Bank. The Bank has limited exposure to currency or other price risk and does not trade the financial instruments it holds. The Bank is primarily exposed to market risk through interest rate risk in the banking book arising from changes in market interest rates of unhedged positions in its repricing assets and liabilities.

Key controls and risk mitigation strategies include:

- pricing appropriately for risk;
- monitoring of product totals to targets and the impact on current and future profitability from possible interest rate changes; and
- monitoring of market risk exposures against limits, including earnings at risk, value at risk and sensitivity analysis.

Earnings at Risk (EaR)

EaR is measured through sensitivity analysis, which applies a specified basis point parallel shock in interest rates across a forecasted yield curve. The prospective change to the net profit after tax and capital is measured by using a forecasting simulation model which incorporates both existing and anticipated new business in its assessment. The results are monitored against Board tolerance and appetites each month.

Sensitivity

Sensitivity measures the degree to which changes to interest rates can affect the Bank's capital. The Bank's approach is based on a specified basis point parallel shock across three months in interest rates across a yield curve.

The results are measured against capital and monitored against Board tolerance and appetites.

Value at Risk (VaR)

VaR is a statistical technique used to measure and quantify the valuation risk over a specific holding period at a given confidence level. The Bank's approach is based on a historical interest rate simulation which uses a 1,500 working days observation period and consists of a confidence level of 99% within a 250-day holding period.

The results are measured against capital of the Bank and monitored against Board tolerance and appetite.

Modelling

In determining EaR, sensitivity and VaR exposures, the Bank combines cash flows into time 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.

Interest rate change profile of financial assets and liabilities

Financial asset and liability contracts allow interest rates to be amended on maturity, at predefined points in time or after proper notice is given. 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.

30 June 2024	Within 1 month $m	> 1 to 3 months $m	> 3 to 12 months $m	> 1 to 5 years $m	> 5 years $m	Non-interest bearing $m	Total $m
Assets							
Cash and cash equivalents	155.0	–	–	–	–	0.9	155.9
Receivables	–	–	–	–	–	11.1	11.1
Other financial assets	606.0	1,222.8	2.7	1.7	–	10.0	1,843.2
Loans and advances to members	6,288.4	463.1	1,853.3	815.5	8.1	0.1	9,428.5
Derivative assets held for hedging purposes	–	–	–	–	–	–	–
Total financial assets	**7,049.4**	**1,685.9**	**1,856.0**	**817.2**	**8.1**	**22.1**	**11,438.7**
Liabilities							
Wholesale sector funding	455.5	689.6	389.8	43.8	–	16.5	1,595.2
Retail deposits	3,991.8	734.1	2,969.4	1,444.6	–	3.2	9,143.1
Creditors, accruals and settlement accounts	–	–	–	–	–	31.5	31.5
Derivative liabilities held for hedging purposes	–	–	–	–	–	–	–
Borrowings	–	–	–	–	–	–	–
On-statement of financial position	**4,447.3**	**1,423.7**	**3,359.2**	**1,488.4**	**–**	**51.2**	**10,769.8**
Undrawn loan commitments (see Notes 24a, 24b, 24c)	1,006.9						1,006.9
Total financial liabilities	**5,454.2**	**1,423.7**	**3,359.2**	**1,488.4**	**–**	**51.2**	**11,776.7**

30 June 2023*	Within 1 month $m	> 1 to 3 months $m	> 3 to 12 months $m	> 1 to 5 years $m	> 5 years $m	Non- interest bearing $m	Total $m
Assets							
Cash and cash equivalents*	132.9	–	–	–	–	0.7	133.6
Receivables	–	–	–	–	–	22.7	22.7
Other financial assets*	492.5	1,119.9	1.0	8.5	0.5	10.0	1,632.4
Loans and advances to members	3,715.3	413.0	1,682.2	3,010.6	8.1	0.2	8,829.4
Derivative assets held for hedging purposes	2.1	–	–	–	–	–	2.1
Total financial assets	**4,342.8**	**1,532.9**	**1,683.2**	**3,019.1**	**8.6**	**33.6**	**10,620.2**
Liabilities							
Wholesale sector funding	441.1	500.1	178.7	111.1	–	12.9	1,243.9
Retail deposits	2,638.8	769.8	3,314.3	1,653.8	–	6.6	8,383.3
Creditors, accruals and settlement accounts	–	–	–	–	–	25.0	25.0
Derivative liabilities held for hedging purposes	2.1	–	–	–	–	–	2.1
Borrowings	–	192.8	131.9	–	–	–	324.7
On-statement of financial position	**3,082.0**	**1,462.7**	**3,624.9**	**1,764.9**	**–**	**44.5**	**9,979.0**
Undrawn loan commitments (see Notes 24a, 24b, 24c)	967.3						967.3
Total financial liabilities	**4,049.3**	**1,462.7**	**3,624.9**	**1,764.9**	**–**	**44.5**	**10,946.3**

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to other financial assets.

21. Capital management

Capital adequacy

In accordance with APS 110 Capital Adequacy, ADIs, including the Bank, must maintain a minimum total prudential capital ratio (PCR) of 8%. APRA may also determine higher PCRs for an ADI, including the Bank. APRA does not allow an ADI to publicly disclose its PCR.

APRA also requires ADIs to hold additional CET1 buffers consisting of a capital conservation buffer and a countercyclical capital buffer.

Capital resources

Regulatory capital is measured using the tiers outlined in the following table.

Level of capital	Definition
Tier 1 capital	The majority of the Bank's Tier 1 capital consists of Common Equity Tier 1 (CET 1) capital, which comprises retained earnings and reserves.
Tier 2 capital	For the Bank, Tier 2 capital comprises a reserve for credit losses.

Risk weighted assets

Risk weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures plus an allowance for operational risk as prescribed by APRA.

The Bank evaluates its approach to capital management through an Internal Capital Adequacy Assessment Process. Features include:

- the development of a capital management strategy, including consideration of regulatory capital requirements, buffers, contingency plans and capital raising strategies;
- consideration of an appropriate level and quality of capital commensurate with the level and extent of risks to which the Bank is exposed from its activities; and
- a stress testing of the governance framework that challenges capital targets and minimum prudential capital requirements.

The Board sets an operating capital range, allowing a buffer above minimum PCR to absorb unexpected losses arising from various scenarios. If such an event arises, the buffer enables the Bank to continue to operate in a sound and viable manner while the business responds to the event.

The Bank's capital position is monitored on a continuous basis and reported monthly to the Assets and Liabilities Committee and the Board. The Bank's capital ratios throughout the financial year complied with both APRA minimum PCR and the Board-approved tolerance. The Bank is required to inform APRA immediately of any breaches or potential breaches of its minimum PCR, including details of any remedial actions taken or planned to be taken.

CAPITAL IS MADE UP AS FOLLOWS:	2024 $m	2023 $m
Tier 1 capital	690.6	668.3
Tier 2 capital	6.6	5.8
Total capital	**697.2**	**674.1**
Total capital adequacy (%)	15.59%	15.59%

22. Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	Note	2024 $m	2023* $m
FINANCIAL ASSETS			
Financial assets – carried at amortised cost			
Cash and cash equivalents*	4	155.9	133.6
Receivables	7	11.1	22.7
Other financial assets*	8	1,833.2	1,622.4
Loans and advances to members	5	9,477.0	8,869.8
Total carried at amortised cost		**11,477.2**	**10,648.5**
Financial assets – carried at fair value			
Other financial assets			
– Shares in unlisted companies at fair value through other comprehensive income	8	10.0	10.0
Derivative assets held for hedging purposes	10	–	2.1
Total financial assets		**11,487.2**	**10,660.6**

	Note	2024 $m	2023 $m
FINANCIAL LIABILITIES			
Financial liabilities – carried at amortised cost			
Wholesale sector funding	15	1,595.2	1,243.9
Retail deposits	16	9,143.1	8,383.3
Creditors, accruals and settlement accounts	17	31.5	25.0
Borrowings	14	–	324.7
Total carried at amortised cost		**10,769.8**	**9,976.9**
Financial liabilities – carried at fair value			
Derivative liabilities held for hedging purposes	10	–	2.1
Total financial liabilities		**10,769.8**	**9,979.0**

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to other financial assets.

23. 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. The 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.

	2024 $m	2024 $m	2023* $m	2023* $m
Assets	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Cash and cash equivalents*	155.9	155.9	133.6	**133.6**
Receivables	11.1	11.1	22.7	**22.7**
Other financial assets*	1,845.2	1,843.2	1,629.5	**1,632.4**
Loans and advances to members	9,386.0	9,477.0	8,658.2	**8,869.8**
Derivative assets held for hedging purposes	–	–	2.1	**2.1**
Total financial assets	**11,398.2**	**11,487.2**	**10,446.1**	**10,660.6**
Liabilities				
Wholesale sector funding	1,594.2	1,595.2	1,241.2	**1,243.9**
Retail deposits	9,148.1	9,143.1	8,402.2	**8,383.3**
Creditors, accruals and settlement accounts	31.5	31.5	25.0	**25.0**
Derivative liabilities held for hedging purposes	–	–	2.1	**2.1**
Borrowings	–	–	324.7	**324.7**
Total financial liabilities	**10,773.8**	**10,769.8**	**9,995.2**	**9,979.0**

* See Notes 4 and 8 for a reclassification of prior year comparatives from cash and cash equivalents to other financial assets.

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. The fair value of bonds was calculated using quoted market prices. The fair value of discount securities was calculated using a discounted cash flow model. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at balance date.

Loans and advances

The carrying value of loans and advances is net of unearned income and provision for expected credit losses. 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 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.

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 on 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:	2024 $m	2024 $m	2024 $m	2024 $m
FINANCIAL ASSETS AT FVOCI	**Balance**	**Level 1**	**Level 2**	**Level 3**
Shares in unlisted companies	10.0	–	–	10.0
Derivatives	–	–	–	–
Land and buildings	57.2	–	57.2	–
Total	**67.2**	**–**	**57.2**	**10.0**

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).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 Level 3 (see Note 8).

Land and buildings

Land and buildings are revalued every three years by an independent valuer and the Bank has measured land and buildings at fair value and classified them as Level 2.

Cash flow hedge derivatives

The fair values of derivative financial instruments (interest rate swaps) are calculated by 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.

24. Financial commitments

a. Outstanding loan commitments

	2024 $m	2023 $m
Loans approved but not funded	141.6	186.0

b. Loan redraw facilities

	2024 $m	2023 $m
Loan redraw facilities available	582.4	491.4

c. Undrawn loan facilities

	2024 $m	2023 $m
LOAN FACILITIES AVAILABLE TO MEMBERS FOR OVERDRAFTS AND CREDIT CARDS ARE AS FOLLOWS:		
Total value of facilities approved	354.6	359.7
Less: Amount advanced	(71.7)	(69.8)
Net undrawn value	**282.9**	**289.9**

d. Future capital commitments

	2024 $m	2023 $m
THE BANK HAS ENTERED INTO A CONTRACT TO PURCHASE PLANT AND PROPERTY FOR WHICH THE AMOUNT IS TO BE PAID OVER THE FOLLOWING YEARS:		
Not later than one year	0.3	1.2
Later than one year but not five years	0.7	–
Total	**1.0**	**1.2**

e. Lease expense commitments for low-value

	2024 $m	2023 $m
OPERATING LEASES ON PROPERTY OCCUPIED BY THE BANK AND IT EQUIPMENT:		
Not later than one year	0.2	0.4
Later than one year but not five years	0.1	0.2
Total	**0.3**	**0.6**

25. Contingent liabilities

Liquidity support scheme

The Bank is a member of the Mutual Bank Financial Support Scheme Limited (CUFSS), a company limited by guarantee, established to provide financial support to member Australian mutual ADIs 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.

	2024 $'000	2023 $'000
Bank guarantees provided for members	49.0	49.0

26. Key management personnel and related party transactions

a. Remuneration of key management personnel (KMP)

The KMP of the Bank are the members of the Bank's Board of Directors and members of the Executive Management.

	2024 $'000					2023 $'000				
	Chair	Other Directors	CEO	Other KMP	Total	Chair	Other Directors	CEO	Other KMP	Total
Short-term employee benefits	142	688	1,037	3,807	5,674	138	659	1,002	4,089	5,888
Post-employment benefits	16	94	55	256	421	14	85	100	243	442
Other long-term benefits	–	–	126	58	184	–	–	63	108	171
Termination benefits	–	–	–	2,726	2,726	–	–	1,688	–	1,688
Total remuneration	**158**	**782**	**1,218**	**6,847**	**9,005**	**152**	**744**	**2,853**	**4,440**	**8,189**

Short-term employee benefits include salaries, paid annual leave and paid sick leave, and the 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 include contributions to superannuation.

Other long-term benefits include accrued long service leave. For employees who receive variable remuneration above a certain amount, a portion is retained over the following four years and subject to various conditions.

During the year, the Bank implemented a new target operating model to realign our people and resources around our members. As a result some KMP roles were impacted with associated termination payments reflected in the above table.

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 associates of KMP. There are no loans impaired relating to associates of Directors and other KMP.

	2024 $'000		2023 $'000	
	Mortgage term loans	Revolving credit facilities	Mortgage term loans	Revolving credit facilities
Funds available to be drawn	413	36	160	70
Balance	498	2	2,792	3
Amounts disbursed or facilities increased in the year	–	1	2,553	6
Interest and other revenue earned	44	1	111	4

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

	2024 $'000	2023 $'000
Total value term and savings	2,599	2,138
Total interest paid on deposits	87	32

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 associates of directors, and other KMPs.

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

There are no benefits paid or payable to KMPs or their associates which are not at arm's length. There are no service contracts to which KMPs or their associates are an interested party.

27. Segmental reporting

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

28. 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 is set out below. Loans comprise variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year, the Bank assigned $1,311 million of additional loans (2023: nil) to the Trust.

	2024 $m	2023 $m
Total amount of securitised loans under management	1,906.9	1,628.9

29. Reconciliation of cash from operations to accounting profit

	2024 $m	2023 $m
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax for the period	24.5	27.9
Adjustments for:		
Impairment of loans and advances	0.3	0.7
Depreciation, amortisation and impairment	3.7	3.9
Provision for employee entitlements	(0.4)	2.2
Other provisions	5.1	(0.1)
Profit on disposal of plant and equipment	–	(0.5)
Profit on disposal of other investments	–	(0.2)
Bad debts recovered	–	(0.6)
NET CHANGES IN ASSETS AND LIABILITIES		
Receivables	0.3	(6.7)
Prepayments and other assets	(1.7)	0.3
Creditors, accruals and settlement accounts	(2.3)	0.5
Interest payable	5.6	50.8
Unearned income	(0.1)	–
Change in loans and advances to members	(599.5)	(186.1)
Change in retail deposits	777.8	(254.6)
Change in current income tax	0.5	0.4
Change in deferred taxes	(1.5)	(1.1)
Property revaluation reserve realised	–	(0.3)
Net cash from operating activities	**212.3**	**(363.5)**

30. Events occurring after balance date

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.

31. 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.

Consolidated entity disclosure statement

Name of entity	Type of entity	Trustee, partner or participant in joint venture	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction of foreign residents
Tertiary Travel Service Pty Ltd	Body corporate	n/a	100	Australia	Australian	n/a
EdSec Funding Trust No. 1	Trust	n/a	n/a	Australia	Australian	n/a

TEACHERS MUTUAL BANK LIMITED

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