Annual Report and Sustainability Update
2022-2023

TEACHERS MUTUAL BANK LIMITED

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


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TEACHERS MUTUAL
BANK LIMITED

Certified B Corporation

Annual Report and Sustainability Update 2022-2023

Welcome to our 2022-2023 Annual Report and Sustainability Update. We're proud to be building one of Australia's largest mutual banks.

We are proof that a bank can be both profitable and socially responsible – putting our Members and the community at the heart of everything we do.

TEACHERS MUTUAL BANK LIMITED

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ACKNOWLEDGEMENT OF COUNTRY

Teachers Mutual Bank Limited acknowledges the Traditional Custodians of Country throughout 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.

Our strategic priorities

We are a bank for good, for those who do good. We run our bank for people, planet and profit. We are not like other banks – profit for purpose is our business model and we are 100% owned by our Members.

Our Values

Our values are designed to create a common purpose that we can all work towards and live by. They're influential across our business, guiding our collective actions and the strategic decisions made at an organisational level.

Our core values are:

Advocacy

We act in the best interest of our Members for a sustainable organisation.

Passion

We put our Members at the heart of everything we do.

Sustainability

We invest our Members' money ethically and responsibly. We run our bank for people, planet and profit.

Our strategic goals

1. **Win in Niches**[1]
2. **Win in Mortgages**
3. **Win Digitally**
4. **Win Inorganically**
5. **Productivity for Profitably**

[1] *Niches refers to our Members who work in the education, emergency services and healthcare sectors.*

Our performance

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

Banking for Good

10 YEARS

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

$12 BILLION+

of Certified RIAA Responsible Investment products on the balance sheet.

1 OF 44

B Corp Certified banks and credit unions worldwide.

Our People

82%

of our people would recommend the Bank as a place to work.

75%

employee engagement.

56%

of the Board of Directors are female.

Our Members

97.97%

Member retention

82%

Member satisfaction

32

Net Promoter Score

Our Community

$1.1M

invested in community

108

of hours volunteered by staff

$24K+

in staff giving and donations

Our Environment

4

electric fleet vehicles (EVs)

12.5%

of our car fleet is EV

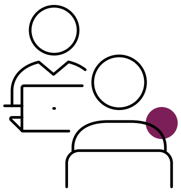
100%

of paper sourced from Certified PEFC and FSC

Our **financial** performance

Our focus on sustainable growth allows us to keep delivering value to our Members while maintaining prudent operational management of the Bank.

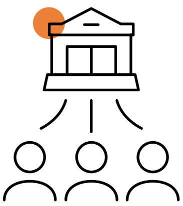
Membership



234,068

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

Loan Balances



$8.8 BILLION

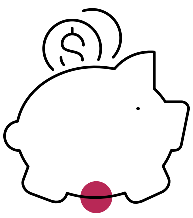
Loan balances are the total of money owed to us by our Members from personal loans, secured (home) loans, credit cards and overdrafts.

Assets

$10.7 BILLION

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

Member deposits



$8.1 BILLION

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

Net profit after income tax

$27.9 MILLION

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

Reserves

$702.4 MILLION

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

Return on assets

0.26%

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

Capital adequacy ratio

15.59%

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

A message from our Chair and CEO

Welcome to the 2022-2023 Annual Report and Sustainability Update.

At the end of the 2022-2023 financial year we are proud to be serving more than 234,000 Members across Teachers Mutual Bank, Health Professionals Bank, UniBank, Firefighters Mutual Bank and Hiver. In FY23 we had more than $10.7 billion in assets under management, returning a net profit after tax of $27.9 million. We have also maintained a healthy capital adequacy ratio of 15.59%.

Financial year 2022 - 2023 has seen economic challenges including increasing interest rates, wages growth remaining low and elevated inflation. Despite these economic factors, we have remained financially strong during our 57th year of operation as we have continued to deliver value for our Members.

As the RBA cash rate target has increased, we have continued to strive for balance between the needs of our Members who are seeking loans with those who are depositing, while ensuring our ongoing profitability and sustainability into the future.

Our Members

Our Members in the education, emergency services and healthcare sectors have continued to demonstrate unwavering resilience in a year that has presented challenging economic times and cost of living pressures.

We understand that our Members work hard to secure their financial future and well-being, so we recognise the importance of making banking as easy as possible and providing outstanding service.

During the past 12 months we have been deliberate and focused on making decisions that are in the best interest of our Members, increasing our resourcing levels, particularly in our Member facing teams, as we strive to meet our Members' needs to deliver the high standards of service they deserve.

We know, at times, there are areas where we fall short, and others where we can do better. We have some consumer remediation, investigation and uplift programs in action and the Bank is working as diligently as possible to complete these programs and ensure that no Member is disadvantaged.

In line with our digital-first approach, we have enhanced our digital banking app technology to bring our Members a more convenient banking experience that is aligned more closely to our internet banking,

and completed a major upgrade of our core banking platform. In alignment with our commitment to inclusivity, we have prioritised improvements for disability inclusion and accessibility across our digital channels.

We share our Members' and the community's concern about the rise in scams and online fraud, and the increase in cyber threats occurring across Australia. We therefore continue to increase our efforts to keep Members' accounts and personal information safe and secure. We have an extensive range of services and security features in place to help protect our Members, including real-time monitoring and fraud prevention technology.

Our Community

We take great pride in being the mutual bank for education, emergency services and healthcare sectors; our Members do so much for society and go above and beyond.

As a mutual bank, we have strong partnerships with aligned organisations that have a shared community across the sectors we serve. Partnering provides us an opportunity to support our community with financial literacy content and connect and engage with the niche communities we service.

The Bank's partnership with Cufa to address the causes of poverty in rural Cambodia has continued as we remain committed to supporting the Children's Financial Literacy program. Since 2016, this program has helped more than 43,110 children receive an education in financial literacy.

Our People

As health orders changed and our people returned to the office, we shifted to sustainable flexible workplace arrangements for our people.

We measure our success by the feedback we receive from our people. The 2023 staff survey results highlighted the engagement of our people, with our annual result coming in at 75% which we were pleased by, in what has been another challenging year.

Our heartfelt thanks to our staff who have once again shown resilience during an unpredictable year, particularly our teams who have continued to work to deliver essential banking services for our Members.

Banking for good

Our Members contribute so much to society, working for the benefit of future generations and they expect their bank to share their values. We want to go above and beyond their expectations, which is why we benchmark ourselves against international ethical standards. Since 2014, we've been named one of the World's Most Ethical Companies for ten consecutive years.

Following our Certification as a B Corporation in January 2022, we joined a global community of 44 banks worldwide committed to using business as a force for good. At our 2022 AGM, 91.4% of our Members voted in favour to update our constitution to include B Corp rules. Certified B Corporations meet high standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose.

We're proud to be leading the way in responsible investment. Every retail mortgage and deposit product we sell is certified by the Responsible Investment Association Australasia (RIAA) based on strict criteria and at no extra cost to our Members. As of 30 June 2023, we reached $12.2 billion in Certified RIAA products.


Reflect
Reconciliation Action Plan

As a values-based, socially responsible bank, our Reconciliation Action Plan (RAP) is an opportunity to develop deeper and long-lasting relationships with Aboriginal and Torres Strait Islander Peoples and Communities. Our Bank supports a Yes vote in the upcoming Voice to Parliament referendum. We also support constitutional recognition for Aboriginal and Torres Strait Islander Peoples to allow continuity of Voice, and the opportunity to create, long-term sustainable social, environmental, cultural, economic change.

Through our Reconciliation Action Plan, Teachers Mutual Bank Limited remains committed to fairness and inclusion, by continuing to be a socially responsible bank, employer, purchaser, and community member.

When people entrust us with their money, they can be reassured that we act responsibly considering the benefit for our Members, society, and the planet. We are proof that a bank can be both profitable and socially responsible – putting our Members and the community at the heart of our decisions while maintaining prudent operational management of the Bank.

Our CEO

In April, we wrote to our Members to advise that the current CEO of Teachers Mutual Bank Limited, Steve James, will be retiring later this year after outstanding and dedicated service to the Bank.

Steve has served for 44 years at Teachers Mutual Bank Limited, 18 of those years as the Bank's CEO, and we will formally farewell him at our Annual General Meeting (AGM).

We invite you to our AGM

Our 2023 AGM will be held as a hybrid event on Saturday, 18 November. We invite you to attend in person or via our online webinar. We look forward to the opportunity to connect with our Members and answer your questions.

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

Maree O'Halloran AM
Chairperson

Steve James
Chief Executive Officer

Our CEO's Retirement

Following more than 44 years of outstanding and dedicated service to the Bank and its Members, our current CEO, Steve James, is retiring.

During his 18 years as CEO, Steve has led the Bank for the benefit of its Members to be what it is today – a world-leading, socially responsible Bank that always puts its Members first.

Throughout more than four decades working with the Bank, Steve has enjoyed the challenge of making Teachers Mutual Bank Limited the best it can be for our Members.

As a thought leader, he set the standard for sustainable business and better banking in Australia and he has led the Bank through some key challenges, including the Global Financial Crisis and the recent COVID-19 pandemic. Steve has always upheld the strong values and Member owned proposition of Teachers Mutual Bank Limited.

Teachers Mutual Bank Limited continues to be profitable, socially responsible and committed to ensuring we put our Members at the heart of everything we do. The Bank's mutual structure and values are fundamental and with Steve's retirement these will not change.

Steve has been an integral part of the Teachers Mutual Bank Limited and its history, building and maintaining its strength, security and sustainability. He retires with the warmest of wishes and thanks from current and former staff, past and present Directors, and the wonderful support of the Bank's Members.

We're focused on Banking with purpose

We're a bank for good, for those who do good. We're a world-leading, socially responsible bank. We are proof that a bank can be both profitable and socially responsible.

Global standards

In a rapidly changing world, the community has greater expectations on businesses than ever before. Now more than ever, people expect their money to be used ethically and responsibly.

International leadership in socially responsible banking

Our commitment to be a world-leading, socially responsible bank is verified by third party certification and assessment.

This provides our Members and stakeholders with proof that our sustainability credentials can be trusted, and provide a clear view of how we are banking for good.

Independent third-party verification, rigorous standards and comprehensive reporting are essential to build trust. Our Members, employees and partners can be confident that we are as socially responsible as we say.

We undertake external, independent third-party verification to provide evidence and results of our commitments and performance over time. This validates data, systems and processes across hundreds of metrics for the bank.

Global reporting standards

Our values, frameworks, policies, and actions underpin our commitment. As does third party verification.

We measure, report and evaluate our business performance to provide transparency and accountability for all stakeholders.

We measure ourselves against some of the toughest world standards and we are ranked against thousands of global companies. World's Most Ethical Companies and B Corp measure the entire bank, not a one-off project or activity.

We have aligned our policies, practises and procedures with international best practice standards to ensure they are robust, integrated and transparent.

We published more than 80 external results, which highlights our consistency and leadership in social responsible banking year-on-year. Standards are continually revised and the bar is always rising.

World's Most Ethical Companies, RIAA Responsible Investment Products and B Corporation have extensive technical rigour and details in the public domain.

In March 2023, Teachers Mutual Bank Limited was named as one of the World's Most Ethical Companies for ten consecutive years 2014 – 2023, one of only four banks on a list of 135 companies.

This recognition demonstrates our ongoing commitment to global ethical leadership, and honours companies demonstrating business integrity through best-in-class ethics, compliance, and governance practices.

Building on our B Corp performance

We are a Certified B Corp Bank, meaning we are a global leader in using business as a force for good. We are not like other banks – profit for purpose is our business model, and we are 100% owned by our Members.

Third party verification helps to demonstrate that we are a world leading socially responsible bank. Teachers Mutual Bank Limited is one of only 44 B Corp Banks globally.

The combination of third-party verification, public transparency, and legal accountability makes B Corp Certification unique, credible, and significant; it builds trust as it measures what matters most.

Certified B Corporations meet high standards of verified social and environment and are legally required to consider the impact of their decisions on all their stakeholders. To become a B Corp, businesses must embed stakeholder governance into their company's constitution. This holds Directors accountable for making decisions that consider the long-term impacts on communities, employees, and the environment.

In November 2022, Teachers Mutual Bank Limited Members voted in favour of updating the Bank's constitution to reflect its B Corp status, recording a 91.4% vote in favour.

Our overall score of 102.4 is strong for a first time certification. We aim to increase our score by January 2025.

B Corp Certification

1 OF 44 B Corp Certified banks and credit unions worldwide

Banking for Good is built in

Social responsibility is built in not bolted on to how we manage and operate our Bank. This is evidenced in our purpose, mission and values – it's what we do and why we exist.

We demonstrate this through our culture and history, our legal structure as set out in our Constitution, our business model as a member-owned mutual bank and through our policies, practices and procedures that provide the governance for how we operate as a leading socially responsible bank.

Being a profit-for-purpose bank is our business model and philosophy. Banking for Good positions our Bank for strategic success and reinforces our advantage as a mutual bank. Our Members can do good with their money, aligning their banking with their values at no extra cost.

Responsible investment leadership

A Responsible Investment Leader as defined by Responsible Investment Association Australasia (RIAA) is an 'organisation that demonstrates the ability to deliver on responsible investment promises set out in its policies, through having a range of appropriate and systematic processes'.

Responsible Investment Leaders demonstrate a commitment to responsible investing; the explicit consideration of environmental, social and governance (ESG) factors in investment decision-making, strong and collaborative stewardship; and transparency in reporting activity, including the social and environmental outcomes being achieved. Teachers Mutual Bank Limited was the only bank recognised by RIAA as a Responsible Investment Leader in FY22 and again in FY23. Responsible Investment Leaders achieve a score of at least 15 out of 20 on RIAA' Responsible Investment Scorecard.

Environmental, Social, and Governance (ESG) criteria

We invest our Members' money responsibly, with strict ESG criteria. This includes not investing or lending money directly to industries that pollute the planet, and the money borrowed from us does not come directly from polluting industries. Our ESG exclusions and policies apply to 100% of lending and investment[1], 100% of Assets and Liabilities, across the whole balance sheet.

RIAA Responsible Investment Product Certification

We believe we have been one of the pioneers of a new wave of responsible investment in Australia since 2015. All our retail mortgages, deposits and wholesale products are independently Certified by Responsible Investment Association Australasia (RIAA), which accounts for almost all 98% products the Bank sells – noting that insurance and credits cards, for example, cannot be certified.

All our wholesale sector funding issued is certified which means that any wholesale investor in the Bank is guaranteed that their investment is a Certified Responsible Investment. RIAA product Certification means our responsible investment credentials can be trusted.

- The Responsible Investment Certification Symbol is the leading mark for distinguishing quality responsible, ethical and impact investment products and services in Australia and New Zealand and is recognised as the gold standard.
- As a Licensee of the Certification Symbol, this means our responsible investment credentials can be trusted, we are a leader in responsible investment practice, and we are committed to responsible investment.
- The symbol is recognised by investors and consumers across the region for true-to label responsible investment products.

[1] *Excludes secondary trades.*

Results on our metrics

Targets	Results
Products Certified as Responsible Investment by RIAA (#)	RIAA Certification covers all new retail deposits, mortgages and wholesale products sold by the Bank – five product types[2].
Products on the balance sheet Certified as Responsible Investment by RIAA($)	As at June 30, there are $12.2 billion in RIAA Certified products on the balance sheet.
B Corp Score	102.4 (Governance; 19.3, Workers; 31.3, Community; 20.7, Environment; 12.8, Customers; 17.4)
% staff who support our commitment to Banking for Good and sustainability	When surveyed, 96% of our staff supported our commitment to Banking for Good and sustainability.

[2] *Products, such as credit cards, cannot be certified by RIAA.*

We're focused on our people

We strive to provide an exceptional employee experience for our people.

Engagement and Professional Growth

Our Bank is powered by our people, so it's important that our people are engaged and continue to learn and grow professionally.

Highly engaged people

At the heart of our Bank we believe our people are what makes our organisation so successful and we recognise that our Members have some of the most important jobs. For these reasons, everything we do is aimed at creating a highly engaged team of people so that we build a culture that enriches the lives of all our people and our Members.

We conduct regular engagement surveys with our people so that we understand what is working well and where we have room for improvement. The results of our surveys are communicated to all our people and action plans are developed for the areas where our people have told us there is room for improvement. This approach has resulted in our annual employee engagement survey recording an engagement score of 75%.

Realising our peoples' potential

We place great emphasis on learning and development. We are committed to providing opportunity for professional development that assists every member of the Bank's team in reaching their full potential. These opportunities are formally captured as a part of our quarterly performance conversations.

Our people are provided with a range of professional development opportunities that are formally captured as a part of our quarterly performance conversations. LinkedIn Learning has been implemented for all people leaders and this will be extended to all team members in FY24.


MUTUAL
BANK
LIMITED
Teachers Mutual Bank
Health Professionals Bank
UniBank
Hiver

Inclusion and well-being

We're committed to creating a fair and inclusive workplace for everyone, fostering workplace diversity, and ensuring the well-being of all our people so that they can reach their full potential.

Diverse and inclusive work environment

Our Diversity and Inclusion Policy promotes a workplace that is welcoming, psychologically safe and free from discrimination and inequality.

We're committed to all our people being treated with respect and dignity, regardless of age, gender or gender identity, sexual orientation, disability, socio-economic status, ethnicity, cultural background, religious belief or neurodiversity. We do not tolerate discrimination, bullying and harassment. We believe that every member of our team has the right feel comfortable and included at all times.

Our peoples' wellness

We focus on helping our people to bring their best selves to work, in whatever way works for them. We strive to achieve this through a number of initiatives and programs including Well@work – a program to foster a positive, healthy culture and promote the right working environment for all employees; Shine – a program to recognise, connect and celebrate our people, and two paid days (pro rata) of Volunteer Leave per year is available to all our people to assist a charity of their choice.

In FY23, our people volunteered 108 hours in the community to support their chosen charity.

We continued to roll out initiatives based on our Well@Work Mental Health and the Bank's well-being strategy. This included a series of workshops and webinars that focused on a range of topics including leading teams well, workplace mental health essentials, five ways to well-being, work-life transition tactics, building resilience, and dealing with stressful situations.

To ensure our FY24 well-being strategy is targeted to meet our people's needs, in May, we conducted our second organisational psychosocial survey to continue building a comprehensive picture of our peoples' mental health and well-being needs.

We care about our people and our leaders regularly check in with the people in their teams. This includes conversations to ensure those who may need support are being encouraged to do so, including accessing our free Employee Assistance Program.

Results on our metrics

Targets	Results
Employees would recommend the Bank as a place to work (%), minimum 70%	82% of our people would recommend the Bank as a place to work.
Employee engagement rating (%) minimum of 70%	Our annual employee engagement survey recorded an engagement score of 75%.
Employee turnover rate (%)	Employee turnover was 15% for FY23. Pleasingly, this was 6% lower than FY22.
Females on the Board (target 50 %) exceeding ASX average	Female representation is 56% at Board level. The ASX 200 average is reported at 36%[3].
Employees undertaking sustainability training (%)	100% of new employees have completed sustainability training. Sustainability training is a core component of our ONE Program. Our ONE Program is the Bank's on boarding program for all new employees.
People leadership engagement	In FY23, our first annual leadership conference was held with 77% of our people leaders in attendance.
Investment in people training and development ($ per FTE)	We're committed to investing in the development of our people. In FY23, $1730 per full-time equivalent employee was invested.
Staff who say their leaders support them in the Well@work survey (%)	We have an ongoing focus on our how our people leaders support their people. 86% of our people say they feel supported by their leaders.

[3] *AICD Gender Diversity Progress Report*

We're focused on our Members

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

Member growth and satisfaction

We understand that our Members work hard to secure their financial future, so we recognise the importance of making banking as easy as possible and providing outstanding service.

Strive for Member satisfaction

We strive for Member satisfaction and we measure, report and benchmark how we're performing through our Member satisfaction surveys and Net Promoter Score (NPS)[4].

Regular surveys are conducted to measure our Members' satisfaction and NPS across our five divisions, and we collect qualitative Member feedback through all our Member facing channels. This includes a social media sentiment program to understand the level of satisfaction or any concerns raised by Members through our social media channels.

In FY23, our Member satisfaction rating reached a high of 82% and our NPS peaked at 32.

We have been deliberate and focussed on increasing our resourcing levels in our Member facing teams, as we strive to meet our Members' needs to deliver the high standards of service they deserve. This has resulted in 80% of all inbound calls from Members to the Bank being answered within 180 seconds.

As part of our commitment to improve our Members' experience, we've enhanced our home loan approval process so that our home loan applications are approved faster. This has also improved the experience for our people working in these teams with less administration handling and consistent, accessible, trackable help and coaching.

During FY23, the Bank subscribed to the renewed Customer Owned Banking Code of Practice. This Code is an important public expression of the value we place on improving the financial well-being of our Members and operates in addition to legislative requirements, establishing a

[4] *NPS = total % of promoters – total % of detractors.*

higher standard than the law requires, and addresses issues not addressed by the law. It comprises seven key promises, detailed supporting obligations, and includes a requirement that we incorporate these obligations into our contracts with our Members.

Member driven products

We are committed to developing innovative products that meet the specific needs of our Members.

One of the Bank's key commitments is to ensure we're continuing to offer secure, simple and seamless digital banking capabilities to our Members. We introduced new features such as the ability for Members to upload documents directly via the mobile app, diminishing the necessity for physical paperwork or email interactions.

Real-time transaction notifications were also introduced to alert Members instantly about account activity, significantly reducing potential fraudulent operations. We've also strengthened internal protocols and intensified our robust penetration testing to ensure high app uptime.

The Bank continues to deliver ongoing initiatives that aim to empower Members with self-service capabilities, enabling them to bank anytime, anywhere, without contacting the Bank directly.

Our focus has been on making the digital banking experience as intuitive and seamless as possible. Through the introduction of new features such as an improved access code reset experience, enhanced personalisation options, and a superior user interface, the Bank continues to make mobile banking more straightforward and engaging.

In alignment with our ongoing commitment to inclusivity, the Bank continues to prioritise improvements for disability inclusion and accessibility across our digital channels. We've made considerable strides in enhancing the intuitiveness of our interface design and compatibility with screen readers to cater to our diverse Member base, ensuring everyone has equal access to our digital banking services.

We remain committed to delivering digital transformation, converting many manual banking operations into digital processes. This includes the conversion of physical branch forms into digital versions. As a result, we've seen quicker service delivery, increased efficiency, and a reduction in our environmental footprint.

Supporting our Members

We understand that no matter how well you plan, financial difficulties sometimes arise. This year we offered Financial Hardship assistance to 127 Members.

Striving to do better for our Members

We have a strong Member focus that enables us to maintain strong growth and Member satisfaction. We know our Members work hard to secure their financial future, so we recognise the importance of providing outstanding service and we must always strive to do better.

Member satisfaction rating

82% Member satisfaction rating in FY23


RESCUE

We recognise there are areas where we fall short, and others where we can do better. When we don't get things right, we will ensure our complaints process and outcomes are effective and fair.

The Bank has a dedicated Customer Care team that has been established to manage Member complaints to resolution, including providing support for our vulnerable Members. 93% of complaints are processed and resolved within 14 days.

Ethical risk culture

We have a duty to manage the operations of our Bank securely and responsibly, aligned with the regulatory frameworks that govern our operations.

Protecting our Members

Our polices and how we operate ensure the Bank has a strong risk and ethics culture to protect the best interests of our Members.

Our Risk Culture is formally reviewed every six months.

Additionally, the Bank's Directors and Executives assess the risk culture annually with improvement plans put in place to ensure the strong Member focussed risk culture continues.

We share our Members' and the community's concern about the rise in scams and online fraud, and the increase in cyber threats occurring across Australia.

We've increased our efforts to keep Members' accounts and personal information safe and secure. We have an extensive range of services and security features in place to help protect our Members, including real-time monitoring and fraud prevention technology.

Our Security Promise is our guarantee that we are working around the clock to protect our Members, their identity and their money.

This means we will repay money lost to fraud for Members who have adhered with our terms and conditions and haven't contributed to the loss.

Results on our metrics

Targets	Results
Member retention rates (%), minimum of 95%	Our Member retention across all divisions was 97.97%, based on resignations versus net membership over the 12-month period.
Member satisfaction rating (%)	Our Member satisfaction rating reached a high of 82%.
Net Promoter Score (NPS)	Our NPS peaked at 32 during FY23.

We're focused on our environment

Socially responsible banking is at the core of how we operate and this includes playing our part to protect our planet.

Climate change

We don't directly invest in or take money from the fossil fuel industry. We were the first bank to call for a 45% emissions cut by 2030, which is now where Australia is heading. Over the last three years, we've reduced our own emissions (Scope 1, 2 and 3) by 26%. Since the Paris Agreement in 2015, our total and committed investment to cut our direct emissions from offices, buildings, and cars is $ 2.8 million.

Electric vehicle commitment

In FY23, the Bank announced its commitment to transforming its corporate vehicle fleet to 100% electric vehicles (EVs) by 2027 – an industry leading position.

This means that by 2027, Members will only receive visits at their home or workplace from a Bank team member driving an EV car. The EVs will run on 100% renewable electricity when charged at one of the Bank's offices and by 2027, it is forecast the EVs will have travelled 1.38 million kilometres.

Risk strategy and framework

Climate Risk has been embedded in the Board approved Risk Framework documents. Our Risk Management Strategy and Risk Appetite Statement outline the Bank's approach to assessing and managing risk.

Resources and waste reduction

We strive to reduce our impact on the environment by using resources efficiently, reducing our consumption.

In FY23, 17 tonnes of waste and 12 tonnes of paper was recycled. This is in line with our B Corp Environment pillar and how we are working to protect our planet.

Supply chain

Teachers Mutual Bank Limited is committed to sound environmental management and performance of our operations, as well as a positive environmental impact of our supply chain – an important aspect of being a responsible bank.

As a B Corp bank, our direct impact of our operations on the environment has been independently assessed, including our supply chain.

Our Vendor Management Framework and Policy have been updated, with a strengthened set of sustainability and ESG criteria for all material strategic and major suppliers.

EV car fleet

100% EV car fleet by 2027

How we're delivering a 100% electric vehicle car fleet by 2027

Teachers Mutual Bank Limited has ceased purchasing fossil-fuelled cars and has committed to switching its national car fleet to 100% EVs by 2027. This involves a $2 million investment for 31 Electric Vehicles (EVs) and 12 charging stations at four Bank offices in Sydney, Brisbane and Perth. Any Member who drives to our Head office or our branches can charge their EV.

Results on our metrics

Targets	Results
EV cars owned (#)	4 electric Kia Neo cars are in use as part of the car fleet with a commitment to transition to 100% electric vehicle (EVs) fleet by 2027.
EV charging stations installed (#)	5 charging stations are installed at our Bank offices in Sydney.
Proportion of car fleet that is EV (%), target 100% by 2027	12.5% of our corporate car fleet is EVs.
Scope 1, 2 and 3 emissions	Total emissions are 1.198t CO^{2}e. This year is the first year we have measured Scope 3 emissions. The emissions are 100% accounted for by PV on our offices (16%), the use of green power (80%) and renewable energy offsets (4%).
Scope 1, 2 and 3 emission reduction (1 year)	+1% tCO^{2}e Scope 1, 2 and 3 emission increase in the past year.
Scope 1, 2 and 3 emission reduction (3 year)	26% tCO^{2}e Scope 1, 2 and 3 emission reduction in the past 3 years.
Scope 1, 2 and 3 emission reduction (5 year)	38% Scope 1, 2 and 3 emission reduction in the past 5 years.
Electricity generated by solar panels (kWh)	186,373 kWh of electricity generated by solar panels on our office roofs, 18% of consumption.
Emissions intensity (tCO^{2}e per million $ of assets)	Emissions intensity recorded at 0.11 tCO^{2}e per million $ of assets.
Paper purchased from a certified sustainable source (FSC or PEFC) (%)	100% of paper is sourced from FSC or PEFC.
Paper recycled (tonnes)	12.1 tonnes of paper recycled.
Paper use per employee (kg/FTE)	Paper use per employee was 20 kg/FTE.
Waste diverted from landfill (%), target of 50%	59% of waste was diverted from landfill.
Waste generated per employee (kg/FTE)	21kg of waste was generated per employee.

We're focused on our community

Giving back to our community is built into our Constitution. We believe in the power of responsible investment. We know it can make a world of difference when money is used for good.

Investing in impact

Our Constitution states we will; promote, encourage and bring about human and social development among individual Members and within the larger community within which Members work or reside.

Investing in our communities

Our community investment is based on a best-practice framework providing a clearly defined and transparent methodology. In FY23, we invested $1.1 million in the communities in which we operate which represents 4.0% of Net Profit After Tax.

Our people care about their communities too. Our people donated $24,880 via employee giving and donations.

Partnering with Aboriginal and Torres Strait Islander Peoples

As a values based socially responsible mutual bank, Teachers Mutual Bank Limited's purpose is to provide Banking for good for those who do good. As we strive to deliver our purpose, we will continue to reflect this in our reconciliation actions with First Nations Peoples to enhance their financial goals, and prosperity.

Through our Reconciliation Action Plan (RAP), we've made a formal commitment to reconciliation.

Art celebrating reconciliation

This artwork by Aboriginal artist Lee Hampton of Koori Kicks Arts represents all five divisions of Teachers Mutual Bank Limited and celebrates our commitment to reconciliation. The original artwork is proudly on display at the Bank's Homebush office.

The RAP's strength is its framework of relationships, respect, and opportunities, allowing the Bank to strategically set its reconciliation commitments in line with our business objectives, for the most effective outcomes.

Our vision for reconciliation is that it's embedded across our organisation and informs the way we work and interact with each other, our Members and the wider community. We want to have a meaningful impact by establishing and strengthening mutually beneficial relationships with Aboriginal and Torres Strait Islander Peoples and organisations.

In alignment with our ongoing commitment to reconciliation we have partnered with Murawin, a certified Supply Nation business founded and led by Dunghutti woman Carol Vale. This is in addition to partnerships with three other businesses Pickwick, Wilco and IndigiGrow.

We have increased our engagement with Aboriginal and Torres Strait Islander Peoples in the communities that our Members are a part of and provided opportunities for our people to increase their own engagement levels.

We support the NSW Premier's Teachers Mutual Bank Aboriginal Education Scholarship.

Charitable donations

$24K+

donated this year via employee giving and donations.

This Scholarship supports a teacher to further their understanding and knowledge of education to indigenous and non-indigenous students.

Partnering with Cufa

Teachers Mutual Bank Limited has a long-term partnership with the Credit Union Foundation of Australia (Cufa) to address poverty in Cambodia. Cufa is an international development agency committed to alleviating poverty and creating sustainable results across the Asia Pacific.

Cufa creates social change by providing skills, resources and support focussing on economic, education and employment activities to help people experiencing poverty or on low incomes to make, save and keep more money.

The agency's Children's Financial Literacy Program (CFL) has been making a positive difference for the past decade. It is sponsored by the Department of Foreign Affairs and Trade through the Australia-NGO Cooperation Program.

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

In 2022-2023, Cufa built on our strong track record of impact in Cambodia, reaching 6,265 children in the two provinces of Kampong Chhang and Svay Rieng, as well as through the new Phnom Penh-based partner, The Cambodia Children's Fund.

Since 2016, our partnership with Cufa has had a positive impact for 43,110 children, 992 teachers and 127 schools.

Stakeholder engagement

Engaging with our stakeholders is at the core of the Bank's purpose. Our Members work hard to secure their financial future, so we recognise the importance of ongoing dialogue to ensure we continue to build our understanding of important and emerging issues.

Engaging with our stakeholders

We have continuous engagement with a range of stakeholders in our niche markets.

We have four industry advisory committees that represent our niche markets of health, education and emergency services. Members of these committees represent employees within our niches (teachers, nurses and firefighters) employers (hospitals, government departments, schools and universities) and organisations that represent and support our niche markets (industrial unions and industry associations). This representation provides us with a broad cross-section across all the industries we serve and brings different issues and concerns to the table for discussion.

Investing in and supporting our partners and communities

We have strong partnerships with aligned organisations that have a shared community across the sectors we serve in education, health, tertiary and emergency services.

Partnering provides us an opportunity to provide financial literacy content, build awareness of Teachers Mutual Bank Limited's services and to connect and engage with Members and potential Members of the Bank directly.

Partners provide valuable insight into challenges and opportunities our Members may be facing in their relevant professions that enables us to create and deliver relevant content and product solutions.

In FY23, we were proud to have collaborated with the Queensland Department of Education on a new series of podcasts aimed at highlighting financial literacy topics including cybersecurity and home ownership.

A number of scholarships with our university partners have enabled students to complete courses in both education and health, making a positive impact to our communities.

Teachers Mutual Bank Limited is investing in communities

$1.1M invested this year in the communities in which we operate

These include; Western Sydney University, Australian Catholic University, and Queensland University of Technology. These scholarships provide; financial support to nurses wanting to pursue further qualifications in their chosen field, financial support to teaching students who have demonstrated a commitment to education by overcoming obstacles along the way, and bursaries for education students undertaking their professional experience placement within South-East Queensland who are in need of financial support.

As part of our commitment to frontline responders, the Bank's Fire Fighters Mutual Bank supported the annual charity stair climb in Melbourne. The funds raised were used directly for Lifeline, as nominated by the 000 Foundation.

This year we celebrated a decade of our support of the Teachers Mutual Bank Principals Scholarship. The prestigious Teachers Mutual Bank Principals Scholarship provides an outstanding Principal with the opportunity to undertake a leadership program at Harvard University's Graduate School of Education in the United States of America.

Daniel Rattigan, Principal of Finigan School of Distance Education, was announced as the tenth recipient and he joins an alumni of high calibre Principals who have received the Scholarship throughout the past decade and whose school communities have benefited from their participation in the world-leading program at Harvard.

We are committed to supporting teachers to inspire their pupils no matter where they live. This year, we continued our support for the Bell Shakespeare's Regional Teacher Mentorship as we believe that geography shouldn't be a barrier to professional development. This program aims to develop skills, knowledge and ideas for teaching Shakespeare to students in regional schools.

Results on our metrics

Targets	Results
Total investment into the community ($)	Our total community investment was $1.1 million.
Total NPAT invested into the community (%)	4.0% of NPAT was invested in the community.
Staff volunteering (hours)	In FY23, 108 staff volunteer hours were used to support charities of their choice.
Employee giving and donations ($)	Our people donated $24,880 in FY23 to causes that matter to them.

Directors' Report & Annual Accounts

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 2023.

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 they must abide by our Code of Conduct which outlines their legal and ethical obligations.

The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements. The Board conducts an annual review of its performance, along with reviews of individual Directors, committees and the Executive.

Maree O'Halloran AM (Chairperson)

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

Ms O'Halloran was appointed to the position of Chairperson in August 2019. She is currently a Legal Consultant at NEW Law Pty Ltd. Prior to her appointment with NEW Law in April 2015, Ms O'Halloran was the Director of the Welfare Rights Centre for seven years where she also practised as a solicitor. Ms O'Halloran has worked as a teacher in both public schools and TAFE. She has been an active voice for the teaching community and is a former President of the NSW Teachers Federation. She is currently Chairperson of Teachers Health, and has served as a member of the NSW Public Service Commission Advisory Board, HESTA and the SAS Trustee Corporation.

Ms O'Halloran was awarded the Member of the Order of Australia (AM) in the 2011 Australia Day Honours List, in recognition of her service to industrial relations and the education sector.

Ms O'Halloran is a member of the Board People & Remuneration Committee, the Risk & Compliance Committee and Nominations Committee.

Andrew Kearnan (Deputy Chairperson)

GAICD, MBA, Bsc (Hons) – (appointed deputy chair 29 May 2023)

Mr Kearnan joined the Board in October 2020. In addition to the Deputy Chair role, he Chairs the Audit Committee for Teachers Mutual Bank.

Mr Kearnan is also currently a Director of UniMutual Ltd, PetSure Australia and Nimble Money Ltd. He is Chair of the Board for UniMutual and PetSure and Chairs the Audit & Risk Committee for Nimble.

Mr Kearnan has held executive or non-executive director positions at leading finance sector institutions like Bank of America, Merrill Lynch, Commonwealth Bank of Australia, Hollard Insurance and RACQ.

He is a past Member of the Australian Accounting Standards Board. He was consistently rated as one of Australia's top finance sector equity market research analysts during his 18 year investment banking career.

He is a Graduate of the AICD Company Directors course, has an MBA and an Honours degree in Science (Biochemistry).

The Hon. Prof. Verity Firth AM (Director)

BA LLB, GAICD

The Hon. Professor Verity Firth is the Pro Vice-Chancellor (Social Justice & Inclusion) at the University of Technology Sydney.

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

As Minister for Education and Training she focused on equity in education, and how to best address educational disadvantage in low socio-economic communities, including rural and remote indigenous communities.

As Chief Executive of the Public Education Foundation (2011-2014), Professor Firth led the Foundation's transformation from a fledgling organisation into a major provider of scholarships and support to public education. She also helped the sector negotiate $5 million in seed funding for a new charity for disadvantaged schools.

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

Professor Firth was awarded the Member of the Order of Australia (AM) in the 2023Australia 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

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

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

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

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

Linda Green (Director)

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

Mrs Green commenced teaching in 1979 and is currently Principal of Robert Townson Public School.

She served as a member of the Supervisory Committee for two years and was elected to the Board in 1997. Mrs Green is a member of the Teachers Mutual Bank Advisory Committee.

Virginia Marshall (Director)

BCom, MBus, MCom, GradCertSust, GAICD – (appointed 29 May 2023)

Ms Marshall is an experienced financial executive with more than 20 years' experience across financial services, property and asset management, and technology companies.

Ms Marshall has held many senior roles in financial services across Australia and New Zealand including Deputy CFO for Westpac Banking Corporation's Consumer Division and CFO of non-bank lender, Society One.

Ms Marshall is currently CFO for a deep-tech company conducting research into enzymatic recycling, advancing Australia's efforts towards a circular economy. Ms Marshall is also an independent member of the NSW Cancer Council Risk & Audit Committee.

Ms Marshall is a member of Chartered Accountants Australia, FINSIA and a Graduate of the Australian Institute of Company Directors, the University of Sydney and the University of New South Wales.

Ms Marshall holds a Bachelor of Commerce and a Master of Business in Management from the University of Otago, a Master of Commerce in Accounting from the University of NSW and a Graduate Certificate in Sustainability Studies from University of Sydney. She is also a Graduate of the AICD Directors Course and has completed executive education at Mt Eliza Business School.

Ms Marshall is a member of the Audit Committee.

Andrew McCready (Director)

BSc, A Fin – (vacated deputy chair 29 May 2023)

Mr McCready is a Leading Station Officer in Fire + Rescue NSW and is a Supervisor at their 000 Call Centre in Sydney. He has tertiary qualifications in Computing, Accounting, Financial Planning and Financial Services.

Mr McCready was a Director of Fire Brigades Employees Credit Union for eight years and Chair for three years. Post-merger with Teachers Mutual Bank in 2016, Mr McCready continued on the Firefighters Mutual Bank Advisory Committee.

Mr McCready is Chair of the Board People & Remuneration Committee and is a member of the Audit Committee.

Michael O'Neill (Director)

BEc, BEd, Grad Dip Acct, FFTA, GAICD

Mr O'Neill is an experienced company director with broad industry experience covering financial services, funds management, superannuation, health, sport and technology. He has held a number of non-executive roles including Chairman of Gymnastics Victoria from 2014-2019 and Chair of the Board Audit and Risk Committee at The Royal Women's Hospital from 2018-2022. Mr O'Neill has over 25 years' of experience as a financial services executive across organisations including NAB, KPMG and ANZ. His executive background includes broad experience in finance, risk and governance disciplines, having held executive roles as Chief Financial Officer and Chief Risk Officer for NAB's Personal

Banking Division in Australia and Treasurer for the NAB Group.

Mr O'Neill holds a Bachelor of Economics, Bachelor of Education and Graduate Diploma in Accounting from Monash University. He is a Graduate of the Australian Institute of Company Directors and was previously a Fellow of the Finance & Treasury Association.

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

Melissa Reynolds (Director)

BEc, MComm, GAICD

Ms Reynolds is an accomplished senior executive with over 30 years' experience in ASX listed financial services, energy and media companies including as Chief Customer Officer at AGL Energy, and Executive General Manager Retail Banking and General Manager Mortgages at National Australia Bank. She has significant strategic, commercial and operational leadership expertise in new product development, market expansion, brand, distribution and digital transformation.

Ms Reynolds is Chair of the Technology & Innovation Advisory Committee and is a member of the Board Risk and Compliance and Board People & Remuneration committees. She is currently Executive, General Manager, Trustee Services, State Trustees, Victoria. Her other directorships include Non-Executive Director Colonial Foundation, and Council member Genazzano FCJ College.

Ms Reynolds has a Bachelor of Economics from Newcastle University NSW, a Masters of Commerce from the University of NSW, is a graduate of AICD and has completed the Advanced Management Program at Insead, France.

Murat Dizdar (Director)

B.Ed (Secondary Humanities) – (resigned 8 June 2023)

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

Mr Dizdar co-leads the School Performance division that provides support to 80,000 teachers and school leaders to deliver a high-quality education for over 823,000 students. The School Performance division consists of teams that are responsible for school planning, ongoing self-assessment and external validation, annual reporting and policy implementation.

School Performance also oversees strategic partnerships in the arts, sport, high performing students, community languages and International students. Mr Dizdar presides over the Bushfire Strategy, that supports communities devastated by the 2019/2020 fires, and the Connected Communities directorate, that strengthens the educational outcomes for Aboriginal students.

Mr Dizdar's career with the NSW Department of Education began as a social sciences teacher at Ashcroft High School. He has experience in a range of school leadership roles including being senior principal of Belmore and Punchbowl Boys High School.

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

Mr Dizdar was a member of the Technology and Innovation Advisory Committee, up until his resignation as a director in June 2023.

Company Secretary

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

As Company Secretary, Mr Taweel has a leading role in the effective governance and administration of Teachers Mutual Bank Limited. He was previously the Bank's Chief Internal Auditor, leading a professional team dedicated to best practices in risk management, corporate governance and control frameworks. Fred has oversight of member meetings, digital protection, vendor governance, modern slavery and front-line AML/CTF as part of his duties.

Mr Taweel is active in both national and global banking spheres, with his leadership and service recognised by being honoured with Life Membership of the Mutuals Audit and Governance Professionals Institute (MAGPI). He is committed to ensuring Teachers Mutual Bank Limited meets the expectations and needs of key stakeholders including directors, management, staff, members and regulators.

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

Directors' meeting attendance

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

	Board		Audit			People & Remuneration			Nominations			Risk & Compliance		
	H	A	H	A	OA	H	A	OA	H	A	OA	H	A	OA
Maree O'Halloran	12	12	-	-	6	4	4	-	3	3	-	7	7	-
Andrew Kearnan	12	12	6	6	-	-	-	-	-	-	3	-	-	4
Murat Dizdar	11	11	-	-	1	-	-	-	2	-	-	-	-	-
Verity Firth	12	11	-	-	1	-	-	-	1	1	2	-	-	-
William Ford	12	12	6	5	-	4	4	-	-	-	-	7	7	-
Linda Green	12	10	3	3	3	1	1	2	-	-	-	-	-	-
Andrew McCready	12	11	6	6	-	4	4	-	-	-	-	-	-	3
Michael O'Neill	12	11	6	6	-	4	4	-	-	-	-	7	7	-
Melissa Reynolds	12	11	-	-	-	4	4	-	-	-	-	7	7	-
Virginia Marshall	2	2	1	1	-	-	-	-	-	-	-	-	-	-
Meetings held	**12**	**-**	**6**	**-**	**-**	**4**	**-**	**-**	**3**	**-**	**-**	**7**	**-**	**-**

H = Meetings held in the period of appointment
A = Attended as member
OA = Optional attendance

Note: A leave of absence was granted where a Director was unable to attend any of the above meetings.
Note: Standing invitation issued to directors that they may attend other committee meetings at any time.

Directors' benefits

No Director has received, or became entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Bank, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 30 of the financial report.

Indemnifying officers or auditors

Insurance premiums have been paid to insure each of the Directors and officers of the Bank, against costs and expenses incurred by them in defending any legal 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 $27.9 million (2022: $30.4 million).

Dividends

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

Review of operations

The Bank's operations from its activities of providing retail financial services primarily to employees in the education, emergency services and health sectors, university graduates, and their families did not change significantly from those of the previous year.

The net profit after tax was $27.9 million, 8% lower than the prior year (2022: $30.4 million) reflecting the difficult operating environment of low growth and high inflation coupled with an unexpected rapid rise in interest rates and a turbulent banking environment around the world.

Member Loans outstanding increased by $187 million or 2.2%. This however was distorted by Members switching from loan products with offset to Your Way Basic Variable Home Loan and using the offset balances to reduce the loan outstanding; taking this into consideration, interest earning loan balances increased by $329 million or 4.3%. Consumer lending grew by $15 million or 11% for the year.

With Covid-19 restrictions lifted, the Bank saw increased spending of the retail deposits balances accumulated over the prior years. Card transactions increased by 13% to 57 million transactions. Inflation had a similar impact and tightening monetary policy, including a significant uplift in the RBA cash rate, diverted funds from savings to loan repayments. Competition for deposits was heightened as the industry began accumulating funds to refinance RBA Term Funding Facilities provided during Covid-19. Retail deposit balances shrank 2.5% or $214 million with funds also shifting from transaction and savings accounts to drive a 35% increase in term deposit balances.

The Bank's funding included a $478 million increase in the wholesale portfolio, partly to prefund the repayment of the RBA's Term Funding Facility maturing from August 2023.

Compared to the previous year, net interest increased by $17 million or 10%. The net interest margin improved by 0.08% to 1.69%, although the retail interest spread (the difference between the interest rates on Member loans and retail deposits) reduced by 0.12%. As at 30 June, 49% of the Member's home loan portfolio is still locked at rates from before the increasing interest rate cycle. These Members will be impacted when their home loans roll onto higher loan rates as the fixed period matures. We expect the effect on interest earned to be positive over the next two years as home loan portfolio rates realign with the cost of deposits, with the majority of deposit rates already resetting higher. Non-interest income also grew 10%, primarily due to increased transaction commissions reflecting increased post-covid transaction volumes and the profit on sale of one of our Victorian offices. We continue to operate out of this location until our new office is ready. We continue to operate out of the ACT, NSW, QLD, VIC and WA, through our phone and digital channels, and via our home loan broker network.

Operating costs grew by 14% or $19 million. Extra was spent on marketing given the highly competitive environment. Staff costs increased by $10.7 million with staff numbers increasing by 18 Full Time Equivalents (FTE) to 563 FTE, with an emphasis on the Bank's contact centre, risk and compliance functions. Technology costs were another main contributor, increasing by $2.2 million or 14% as the Bank continued to invest in system integrity and resilience, digitisation, robotics and Member service functionality as well as its risk and compliance systems.

Unfortunately, the Bank has detected some errors impacting client accounts that require reimbursements which the Bank intends to resolve as quickly as possible. The Bank undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to clients, as well as interest, fees and premiums charged including insurance distribution. The majority of these errors have been self-identified through these compliance activities and thorough reviews of Member complaints. An amount of $445,000 is included within provisions and relates to ongoing consumer remediation. This provision relates solely to refunds payable to consumers. Other remediation matters are not yet quantifiable and are reported in contingent liabilities.

Bad debts recovered for the year fell 26% to $596,000. This is not surprising given the low write off rates of previous years, which continued with an 8% fall or $701,000 written off for FY2023. While delinquencies and losses remain low, successive loan rate increases and inflation may have strained our Members' household budgets so loss provisions have been increased by 13% or $767,000 year on year to $6.5 million.

The Bank's risk weighted prudential capital adequacy ratio improved 0.89% to 15.59%. Changes to the prudential standards for the risk weights to be more sensitive to the underlying risk recognised the low risk characteristics of the Bank's loan portfolio and reduced our risk weighted assets, improving the ratio. With APRA's consent, the $20 million tier 2 capital subordinated debt was redeemed on the 5 year call date.

After 44 years at Teachers Mutual Bank Limited, 18 of those years as the Bank's CEO, Steve James will step down as CEO during the last quarter of 2023. He and the Board have been reviewing the organisation's strategy and together felt this was an appropriate time for him to hand over the reins to a new CEO to take Teachers Mutual Bank Limited through its next phase of growth. The Board has commenced an executive search for Steve's successor and are committed to ensuring a smooth transition for our people and our Members.

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 94 and forms part of this report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company 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 $1,000, 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
Chair

Andrew Kearnan
Director and Chair of the Audit Committee

Signed and dated this 28th day of August 2023.

Financial Statements and Notes

TEACHERS MUTUAL BANK LIMITED
ABN: 30 087 650 459
AFSL/Australian Credit Licence: 238981
Auditors: Grant Thornton Audit Pty Ltd,
Level 17, 383 Kent Street Sydney NSW 2000

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Interest revenue calculated using effective interest method	5(a)	353,045	208,866
Interest expense	5(b)	(173,704)	(46,233)
Net interest revenue		**179,341**	**162,633**
Fee and commission revenue	5(c)	14,276	13,090
Other income	5(d)	4,016	3,511
Net operating income		**197,633**	**179,234**
NON-INTEREST EXPENSES			
Impairment losses on financial assets	5(e)	(872)	205
General administration	5(f)	(155,984)	(137,093)
Total non-interest expenses		**(156,856)**	**(136,888)**
Profit before income tax		**40,777**	**42,346**
Income tax expense	6(a)	(12,902)	(11,956)
Profit after income tax		**27,875**	**30,390**
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
- Net movement on cash flow hedges	22	-	67
Items that will not be reclassified subsequently to profit or loss:			
- Revaluation of land and buildings	22	(221)	26,157
- Changes in fair value of equity financial assets held at fair value through other comprehensive income (FVOCI)	22	-	(1,133)
Total other comprehensive income		**(221)**	**25,091**
Total comprehensive income for the period		**27,654**	**55,481**

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

Statement of Financial Position

At 30 June 2023

	Note	2023 $'000	2022 $'000
ASSETS			
Cash on hand and deposits at call	7	188,600	171,198
Receivables	9	22,632	12,540
Other financial assets	10	1,577,429	1,492,010
Prepayments and other assets	11	6,745	6,690
Derivative assets held for hedging purposes	12	2,130	1,099
Current tax assets	6(c)	628	989
Loans and advances to members	8	8,869,755	8,674,980
Property, plant and equipment	13	64,266	68,362
Right-of-use assets	14(a)	2,834	2,475
Intangible assets	15	841	965
Deferred tax assets	6(d)	11,959	11,027
Total assets		**10,747,819**	**10,442,335**
LIABILITIES			
Wholesale sector funding	17	1,243,899	596,204
Retail deposits	18	8,383,291	8,597,528
Creditor, accruals and settlement accounts	19	25,043	22,850
Derivative liabilities held for hedging purposes	12	2,130	1,099
Current taxation liabilities	6(b)	1,205	698
Provisions	20	55,488	44,630
Borrowings	16	324,715	474,934
Lease liabilities	14(b)	2,865	2,629
Deferred tax liabilities	6(d)	6,776	7,583
Subordinated debt	21	-	20,053
Total liabilities		**10,045,412**	**9,768,208**
Net assets		**702,407**	**674,127**
MEMBERS' EQUITY			
Reserves	22	30,090	30,261
Retained earnings		672,317	643,866
Total Members' equity		**702,407**	**674,127**

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

Statement of Changes in Member Equity

For the year ended 30 June 2023

	Reserves $'000	Retained earnings $'000	Total Equity $'000
Total at 1 July 2021	29,466	583,064	612,530
Total comprehensive income for the year	25,091	30,390	55,481
Subtotal	**54,557**	**613,454**	**668,011**
Receipts from transfer upon merger	-	6,116	6,116
Transfers to (from) reserves	(24,296)	24,296	-
Total at 30 June 2022	**30,261**	**643,866**	**674,127**
Total at 1 July 2022	30,261	643,866	674,127
Total comprehensive income for the year	(221)	27,875	27,654
Subtotal	**30,040**	**671,741**	**701,781**
Transfers to (from) reserves	50	576	626
Total at 30 June 2023	**30,090**	**672,317**	**702,407**

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

Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
OPERATING ACTIVITIES			
Inflows			
Interest received		346,505	208,435
Fees and commissions		14,201	13,249
Dividends received		659	1,637
Other non-interest income received		2,247	1,669
Outflows			
Interest paid		(122,335)	(49,541)
Suppliers and employees		(150,922)	(132,315)
Income taxes paid		(13,104)	(11,538)
Net cash from revenue activities		**77,251**	**31,596**
Inflows (outflows) from other operating activities			
Loans and advances to members (net movement)		(186,094)	(728,340)
Retail deposits (net movement)		(254,621)	354,463
Net cash from operating activities	**7(a)**	**(363,464)**	**(342,281)**
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		3,563	215
Purchase of property, plant and equipment		(1,884)	(1,883)
Purchase of intangible assets		(246)	(406)
Proceeds on sale of other investments		219	247
Deposits with other financial institutions (net movement)		(85,470)	147,066
Net cash received on transfer upon merger		-	10,125
Net cash from investing activities		**(83,818)**	**155,364**
FINANCING ACTIVITIES			
Wholesale sector (net movement)		635,618	(7,090)
Borrowings (net movement)		(170,219)	150,219
Lease principal payments		(715)	(681)
Net cash from financing activities		**464,684**	**142,448**
Net change in cash and cash equivalents		17,402	(44,469)
Cash at the beginning of the year		171,198	215,667
Cash at the end of the year	**7**	**188,600**	**171,198**

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

Notes to the Financial Statements

For the year ended 30 June 2023

1. Basis of preparation

a. Nature of operations

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

b. General information and statement of compliance

This financial report is prepared for the Bank for the year ended 30 June 2023. 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). Teachers Mutual Bank Limited is a for-profit entity for the purpose of preparing the financial statements.

Teachers Mutual Bank Limited is the Group's ultimate parent company and its controlled entities are Tertiary Travel Service Pty Ltd and Edsec Funding Trust No. 1 for the year ended 30 June 2023.

The report was authorised for issue on 28 August 2023, in accordance with a resolution of the Board of Directors. The financial report is presented in Australian dollars.

c. Basis of measurement

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

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

d. Basis of Consolidation

The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2023. All controlled entities have a reporting date of 30 June.

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

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

The subsidiary company is dormant and in the process of being wound up and therefore the results of the parent approximate those of the consolidated group.

e. Foreign currency translations

Functional and presentation currency

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

Foreign currency transactions and balances

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

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

f. Repurchase agreement (repo) securitisation trust consolidation

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

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

2. New standards and interpretations applicable for the current year

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2022:

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.
- AASB 2021-7a Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials].

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

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

Certain standards have been issued by the 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.

4. Summary of significant accounting policies

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

a. Goods and services tax

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

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

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

b. Accounting estimates and judgements

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

- Derecognition of loans assigned to a special purpose vehicle used for securitisation purposes – refer to Note 32.
- Recognition of credit losses based on "Stage 1" 12-month expected losses, "Stage 2" and "Stage 3" lifetime expected credit losses, and determining the criteria for significant increases in credit risk – refer to Note 8.
- Valuation of shares in unlisted companies – refer to Note 10.
- Fair value of land and buildings – refer to Note 13.
- Determination of lease term – refer to Note 14.
- Determination of SaaS arrangements costs – implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received – refer to Note 11.
- Provisions and contingencies resulting from consumer remediation – refer to Note 20 and 29.

c. Rounding of amounts

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

5. Statement of profit or loss and other comprehensive income

a. Interest revenue calculated using the effective interest method

INTEREST REVENUE	2023 $'000	2022 $'000
Receivables from financial institutions	56,198	9,860
Loans and advances to Members	276,177	192,305
Derivatives interest income	20,670	6,701
Total interest revenue	**353,045**	**208,866**

*Leasehold interest revenue for 2022 has been reallocated to interest expense.

b. Interest expense

INTEREST EXPENSE	2023 $'000	2023 $'000
Overdraft	29	12
Borrowings	40,826	4,046
Retail deposits	112,071	35,363
Derivatives interest expense	20,670	6,768
Other	108	44
Total interest expenses	**173,704**	**46,233**

*Leasehold interest revenue for 2022 has been reallocated to interest expense.

c. Fee and commission revenue

FEE AND COMMISSION REVENUE	2023 $'000	2022 $'000
Loan fee income – other than loan origination fees	2,567	2,805
Other fee income	1,659	1,545
Insurance commissions	4,089	3,838
Other commissions	5,961	4,902
Total fee and commission revenue	**14,276**	**13,090**

d. Other income

OTHER INCOME	2023 $'000	2022 $'000
Dividends received	659	1,637
Gain on disposal of property, plant and equipment	809	29
Gain on disposal of other assets	169	176
Grants received	1,451	1,016
Miscellaneous revenue	928	653
Total other income	**4,016**	**3,511**

*Transfers from provisions for 2022 have been reallocated to general administration expenses and Grants received have been reallocated from Miscellaneous revenue.

e. Impairment losses on financial assets

FINANCIAL ASSETS	2023 $'000	2022 $'000
Increase (decrease) in provision for expected credit losses	767	(134)
Merger provision for expected credit losses	-	(27)
Bad debts written off directly against profit	701	765
Bad debts recovered	(596)	(809)
Net impairment losses – financial assets	**872**	**(205)**

f. General administration

	2023 $'000	2022 $'000
Employee benefits	91,549	80,856
Transaction costs	18,601	16,286
Information technology costs	18,245	15,954
Research, marketing and sponsorships	7,846	5,871
Office occupancy	3,761	3,450
Professional fees	4,426	2,401
Depreciation expenses	3,572	4,081
Amortisation expenses	371	1,034
Other administration costs	7,246	6,911
Subtotal	**155,617**	**136,844**

	2023 $'000	2022 $'000
EMPLOYEE BENEFITS INCLUDE		
Net movement in provisions for employee annual leave	(32)	28
Net movement in provisions for employee long service leave	581	694
Net movement in provisions for employee entitlements	1,688	-
Superannuation expense	(7,328)	(6,569)
Net movement in provisions for sick leave	(9)	(16)
AUDITOR'S REMUNERATION		
Audit fees	346	217
Other services – compliance	5	22
Other services – other	16	10
Total auditor's remuneration	**367**	**249**
Total general administration	**155,984**	**137,093**

*Transfers from provisions for 2022 have been reallocated to general administration expenses.

Recognition and measurement

Interest revenue

Loan receivables and deposits – interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a Member's account on the last day of each month.

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

Credit cards – interest is calculated initially on the basis of the daily balance outstanding and, is charged in arrears to a Member's account on the last day of the statement period, on cash advances and purchases in excess of the payment due date. Purchases are granted up to 55 days interest free until the due date for payment, provided that the closing balance is paid in full or before statement due date.

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

Non-accrual loan interest – while still legally recoverable, interest on impaired loans is not recognised as revenue until received.

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

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

Non-interest revenue

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

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

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

6. Taxation

a. Income tax expense

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

	2023 $'000	2022 $'000
Current tax provision	13,693	12,370
Adjustments for previous years	278	(626)
Total current income tax expense	**13,971**	**11,744**
DEFERRED TAX		
Origination and reversal of temporary differences	(1,069)	212
Total movement in temporary differences	**(1,069)**	**212**
Total income tax expense in income statement	**12,902**	**11,956**

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

	2023 $'000	2022 $'000
Profit before income tax	**40,777**	**42,346**
Prima facie tax payable on profit before income tax at 30%	12,233	12,704
Add		
- Tax effect of expenses not deductible	840	84
Less		
- Tax effect of income not assessable	(167)	(3)
Subtotal	**12,906**	**12,785**
Add		
- Adjustments to recognise deferred tax assets	(104)	288
- Previously unrecognised tax losses now recouped to reduce current tax charge	103	-
Less		
- Under (over) provision of tax in prior years	174	(626)
- Franking rebate	(177)	(491)
Income tax expense attributable to current year profit	**12,902**	**11,956**

(iii) Franking credits:

	2023 $'000	2022 $'000
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	257,643	244,207

b. Current tax liabilities

	2023 $'000	2022 $'000
Current income tax liability	589	157
Other tax liabilities	616	541
Total taxation liabilities	**1,205**	**698**

CURRENT INCOME TAX LIABILITY COMPRISES:		
Balance, previous year	157	(37)
Refunded (paid) for prior year	(331)	481
Under (over) statement in prior year	174	(638)
Liability for income tax in current year	13,693	12,370
Less instalments paid in current year	(13,104)	(12,019)
Current income tax liability (refundable)	**589**	**157**

c. Current tax assets

	2023 $'000	2022 $'000
CURRENT INCOME TAX ASSET COMPRISES:		
GST Debtor	274	650
Other	354	339
Current tax assets	**628**	**989**

d. Deferred tax asset and liability

(i) Deferred tax recognised directly in equity

	2023 $'000	2022 $'000
Net gain on revaluation of land and buildings	5,047	5,717
Unrealised gain on asset held at fair value	1,369	1,369

(ii) Deferred taxes

	2023 $'000	2022 $'000
DEFERRED TAX ASSETS COMPRISE:		
Accrued expenses not deductible until incurred	176	162
Provisions for impairment on loans	1,949	1,719
Provisions for employee benefits	7,902	7,197
Provisions for other liabilities	1,412	1,285
Depreciation on property, plant and equipment	213	226
Amortisation of intangible assets	307	438
Deferred tax assets	**11,959**	**11,027**
DEFERRED TAX LIABILITIES COMPRISE:		
Tax due revalued property held in equity	5,047	5,717
Assets held at FVOCI	1,369	1,369
Other	360	497
Deferred tax liabilities	**6,776**	**7,583**
DEFERRED TAXES, NET		
Deferred tax assets	11,959	11,027
Deferred tax liabilities	(6,776)	(7,583)
Deferred tax asset (liability), net	**5,183**	**3,444**

Recognition and measurement

Income tax expense

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

Current income tax

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the 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% (2022: 30%).

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

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

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

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

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

7. Cash and cash equivalents

	2023 $'000	2022 $'000
Cash on hand	680	643
Cash and deposits at call with other financial institutions	187,920	170,555
Total	**188,600**	**171,198**

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

Recognition and measurement

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

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

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

a. Reconciliation of cash from operations to accounting profit

	2023 $'000	2022 $'000
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax for the period	27,875	30,390
Adjustments for:		
- Impairment of loan and advances	701	765
- Depreciation, amortisation and impairment	3,943	5,115
- Provision for employee entitlements	2,228	706
- Other provisions	(91)	(736)
- Profit on disposal of plant and equipment	(543)	(29)
- Profit on disposal of other investments	(169)	(175)
- Bad debts recovered	(596)	(809)
NET CHANGES IN ASSETS AND LIABILITIES		
Receivables	(6,810)	(694)
Prepayments and other assets	305	(442)
Creditors, accruals and settlement accounts	506	698
Interest payable	50,786	(3,933)
Unearned income	19	334
Change in loans and advances to Members	(186,094)	(728,340)
Change in retail deposits	(254,621)	354,463
Change in current income tax	432	194
Change in deferred taxes	(1,069)	212
Property revaluation reserve realised	(266)	-
Net cash from operating activities	**(363,464)**	**(342,281)**

8. Loans and advances to Members

a. Gross carrying amounts of loans and advances

	2023 $'000	2022 $'000
Overdrafts and credit cards	69,850	67,678
Term loans	8,759,411	8,574,295
Overdrawn savings	98	88
Subtotal	**8,829,359**	**8,642,061**

	2023 $'000	2022 $'000
Add: Amortised loan origination transaction costs and broker commission, net of fees	46,893	38,649
Subtotal	**8,876,252**	**8,680,710**
Less: Provision for impaired loans (Note 8(b))	(6,497)	(5,730)
Net loans and advances to members	**8,869,755**	**8,674,980**

MATURITY ANALYSIS – GROSS LOANS AND ADVANCES		
1-29 days	143	139
30-89 days	125	99
90-365 days	2,386	2,435
366 days and above	8,826,705	8,639,388
Total	**8,829,359**	**8,642,061**

Recognition and measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus directly attributable transaction costs attributable to the origination of the loan or advance, which are primarily brokerage and origination fees. These costs are amortised over the useful life of the loan and subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

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

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

b. Impairment of loans and advances

	2022 $'000			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Opening provision at 30 June 2021	4,289	445	1,130	5,864
Transfers to/(from):				
- Stage 1	12	(5)	(7)	-
- Stage 2	(15)	24	(9)	-
- Stage 3	(9)	(51)	60	-
Charge to income statement:				
- Bad debt written off	(4)	(68)	(212)	(284)
- Loans paid out	(1,157)	(96)	(320)	(1,573)
- Current loans	(1,173)	668	377	(128)
- New loans and advances	1,264	310	277	1,851
Loan impairment expense for the year	(1,082)	782	166	(134)
Balance at 30 June 2022	**3,207**	**1,227**	**1,296**	**5,730**

	2023 $'000			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Opening provision at 30 June 2022	3,207	1,227	1,296	5,730
Transfers to/(from):				
- Stage 1	8	(3)	(5)	-
- Stage 2	(11)	39	(28)	-
- Stage 3	(7)	(30)	37	-
Charge to income statement:				
- Bad debt written off	(3)	(45)	(217)	(265)
- Loans paid out	(678)	(529)	(471)	(1,678)
- Current loans	711	63	46	820
- New loans and advances	1,588	158	144	1,890
Loan impairment expense for the year	1,608	(347)	(494)	767
Closing provision at 30 June 2023	**4,815**	**880**	**802**	**6,497**

DEFAULT ANALYSIS	**2023 $'000**	**2022 $'000**
Neither past due nor impaired	8,710,013	8,523,945
Past due but not impaired	95,093	89,254
Impaired	24,253	28,862
Total	**8,829,359**	**8,642,061**

GROSS LOANS AND ADVANCES WHICH ARE PAST DUE BUT NOT IMPAIRED	**2023 $'000**	**2022 $'000**
1 - 29 days	75,383	78,853
30 - 89 days	19,710	10,401
> = 90 days	-	-
Total	**95,093**	**89,254**

Recognition and measurement

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

- Stage 1 – Performing – less than 30 days past due;
- Stage 2 – Under Performing – 30 to less than 90 days past due, has been approved to be subject to financial hardship and is less than 90 days past due and loans identified as having an increased credit risk resulting from their low fixed rate loan maturing; and
- Stage 3 – Non-Performing – 90 or more days past due.

ECL is calculated on the gross balance for Stage 1 and net exposure for Stages 2 and 3. The Probability of Defaults (PDs) for each product set vary for each Stage (e.g. Stage 3 has a PD of 100%) while the Loss Given Default (LGD) remains constant across all stages for each product set.

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

They are measured as follows:

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

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

Key assumptions in determining ECL

Measurement of ECL

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

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD); and
- discounting

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

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

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

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

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

Grouping of similar assets

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

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

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

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

While delinquencies and losses remain low, successive loan rate increases and inflation may have strained our Members' household budgets so loss provisions have been increased by 13% or $767,000 year on year to $6.5 million.

Significant increase in credit risk

In assessing significant increases in credit risk where a loan or group of loans must move to Stage 3, the Bank has considered the following factors have been considered in the Bank's current model:

- loans more than 90 days past due;
- loans identified as increased risk due to interest rate increases;
- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise and/or;
- increasing probability that the borrower will enter bankruptcy or other financial reorganisation.

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

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

Incorporation of forward-looking information

The approach to determining the ECL includes forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. Given the lack of loss experience by the Bank and across the wider industry, and the relative stable economic environment in Australia for a long period, future projections are subject to uncertainty and judgement.

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

This is reviewed and monitored for appropriateness on an annual basis. The Bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. Periodically the Bank carries out stress testing of more extreme shocks to calibrate its determination of other potential scenarios.

As the ECL model is able to incorporate a forward-looking approach, changes to the model have been made to accommodate any effects that emerging social and economic changes that may have an impact on borrower's repayment ability, fluctuations in the value of collateral, plus expected PDs and LGDs to provide for an overlay or buffer in the ECL itself. These have been compared against a 'base case' for reasonableness.

Included within Provisions for Impairment as at 30 June 2023 is a $4.7 million overlay (2022: $3.9 million) in recognition of a view of future economic developments including the very low unemployment rate, a slowing economy both domestically and globally, escalated geopolitical pressures, global supply chain disruptions, central banks increasing interest rates impacting directly on lending rates, coupled with high inflation potentially placing pressure on borrower's repayment capacity, and moderation in house prices.

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

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

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

Write-off

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

The Bank may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2023 was $0.7 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 derecognition of the original asset. The Bank monitors the subsequent performance of these assets, and where it improves may move them from Stage 3 or Stage 2 (lifetime ECL) into Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more. The gross carrying amount of such assets held at 30 June 2023 was $31,022,388.

Use of judgements and estimates

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

Credit risk management for loans and advances

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

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

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

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

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

c. Credit quality – security held against loans

	2023 $'000	2022 $'000
Secured by mortgage over business assets	167	179
Secured by mortgage over real estate	8,679,609	8,507,645
Partly secured by goods mortgage	11,108	10,263
Wholly unsecured	138,475	123,974
Total	**8,829,359**	**8,642,061**

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

	2023 $'000	2022 $'000
SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:		
LVR of less than 80%	6,542,729	6,428,156
LVR of more than 80% but mortgage insured	1,255,590	1,381,583
LVR of more than 80% with First Home Loan Deposit Scheme guarantee	764,598	561,706
LVR of more than 80%, not mortgage insured and no First Home Loan Deposit Scheme guarantee	116,692	136,200
Total	**8,679,609**	**8,507,645**

d. Concentration of loans

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

Concentration risk – industry

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

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

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

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

BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:	**2023 $'000**	**% of total loan portfolio**	**2022 $'000**	**% of total loan portfolio**
NSW Department of Education	1,352,389	15.32%	1,439,394	16.66%
Aware Super	117,215	1.33%	141,108	1.63%
WA Department of Education	109,813	1.24%	127,995	1.48%
ACT Department of Treasury	107,088	1.21%	112,290	1.30%
QLD Department of Education	79,723	0.90%	84,205	0.97%
Catholic Education Office	77,579	0.88%	83,484	0.97%
NSW Fire and Rescue	67,303	0.76%	74,755	0.87%

NUMBER OF MEMBERSHIPS WITH LOANS THAT ARE RECEIVING PAYMENTS FROM:	**2023 Number**	**2022 Number**
NSW Department of Education	9,027	9,372
Aware Super	3,847	4,228
WA Department of Education	466	537
ACT Department of Treasury	471	485
QLD Department of Education	344	336
Catholic Education Office	358	366
NSW Fire and Rescue	380	401

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

	2023 $'000				2022 $'000			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	5,187,015	401,722	4	5,588,741	5,334,431	402,722	2	5,737,155
Victoria	1,332,149	28,774	312	1,361,235	1,209,263	28,176	326	1,237,765
Queensland	1,105,251	26,305	-	1,131,556	1,014,050	22,703		1,036,753
Western Australia	922,390	28,944	484	951,818	859,425	27,389	484	887,298
Australian Capital Territory	467,062	16,104	-	483,166	453,584	16,456		470,040
South Australia	146,356	2,701	-	149,057	114,325	2,169		116,494
Tasmania	84,273	2,850	-	87,123	72,360	2,436		74,796
Northern Territory	36,845	1,888	-	38,733	32,825	1,983		34,808
Other	52	5,217	-	5,269	20	5,750		5,770
Total	**9,281,393**	**514,505**	**800**	**9,796,698**	**9,090,283**	**509,784**	**812**	**9,600,879**

iv) Concentration of loans by purpose:

	2023 $'000	2022 $'000
LOANS TO NATURAL PERSONS		
Residential loans and facilities	9,281,393	9,090,283
Personal loans and facilities	514,505	509,784
Subtotal	**9,795,898**	**9,600,067**
LOANS TO CORPORATIONS		
Loans to corporations	800	812
Total loans and facilities	**9,796,698**	**9,600,879**

e. Securitised loans

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

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

	2023 $'000	2022 $'000
EdSec Funding Trust No.1	1,628,903	2,089,073

SHORT-TERM RATINGS (STANDARD AND POORS OR EQUIVALENT)		
A1	1,628,903	2,089,073
Total	**1,628,903**	**2,089,073**

	2023 $'000	2022 $'000
LVR SUMMARY		
0 – 60%	843,929	962,253
61 – 80%	636,387	873,505
81 – 90%	143,238	229,702
91 – 100%	5,349	23,613
Total	**1,628,903**	**2,089,073**

9. Receivables

	2023 $'000	2022 $'000
Interest receivable on deposits with other financial institutions	8,175	2,578
Sundry debtors and settlement accounts	14,457	9,962
Total receivables	**22,632**	**12,540**

Recognition and measurement

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

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

Credit Risk Management

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

Collateral – Receivables

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

Impairment – Receivables

The Bank applies the AASB 9 simplified model of recognising lifetime 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 nature of the receivables. In most instances Receivables would not share the same credit risk characteristics. Receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. In respect of receivables, the Bank is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

10. Other financial assets

	2023 $'000	2022 $'000
AMORTISED COST		
Due from other financial institutions:		
- Term deposits	-	650
- Negotiable certificates of deposit	365,729	148,446
- Covered bonds	31,672	31,630
- Floating rate notes	999,779	1,110,740
- Promissory notes	-	-
- Bonds	11,534	13,417
- Residential mortgage backed securities	27,464	37,786
- Other (EdSec)	68,680	76,360

	2023 $'000	2022 $'000
Due from central borrowing authorities:		
- Floating rate notes	61,031	61,144
- Bonds	1,502	1,752
Fair value through other comprehensive income:		
- Equity instruments: Shares in unlisted entities	10,038	10,038
- Equity instruments: Investments in controlled entities	-	47
Total value of other financial assets	**1,577,429**	**1,492,010**

Other financial assets include restricted balances of $69 million (2022: $76 million) which represents deposits held in securitisation trust collection accounts which are not available to the Bank.

Recognition and measurement

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

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

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

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

Classifications are determined by both:

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

Amortised cost

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

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

Fair value through profit or loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value 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)

Equity instruments at FVOCI

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in Other Comprehensive Income and are never reclassified to profit or loss. 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 equity entities:

	2023 $'000		2022 $'000	
FAIR VALUE MEASUREMENT FOR SHARES IN UNLISTED EQUITIES	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Cuscal Limited	10,038	5,475	10,038	5,475
Total	**10,038**	**5,475**	**10,038**	**5,475**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

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

Management have used the unobservable inputs to assess the fair value of the shares. The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market, a market value is not able to be determined readily. Management has 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 (2022: Nil).

11. Prepayments and other assets

	2023 $'000	2022 $'000
Prepaid insurances	286	641
Prepaid related information technology	4,372	3,978
Research, marketing and sponsorship	614	570
Prepaid software as a service	-	253
Other	1,473	1,248
Total	**6,745**	**6,690**

Recognition and measurement

Prepaid software as a service

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

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

- Fee for use of application software and customisation costs are recognised as an operating expense over the term of the service contract.
- Configuration costs, data conversion and migration costs, testing costs and training costs are recognised as an operating expense as the service is received depending on whether the configuration or customisation services are distinct (as set out in critical judgements below).

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

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

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

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement has been applied in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

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

In implementing SaaS arrangements, the Bank has developed software code that either enhances, modifies or creates additional capability to the existing owned software. This software is used to connect with the SaaS arrangement cloud-based application. Judgement has been applied in determining whether the changes to the owned software meets the definition of and recognition criteria for an intangible asset in accordance with AASB 138 Intangible Assets. There were no intangible assets in respect of customisation and configuration costs incurred in implementing SaaS arrangements during the year (2022: $nil).

12. Derivative assets held for hedging purposes

The tables below provide the fair values and notional amounts of derivative financial instruments held by the Bank. The notional amount is reported gross at the amount of the underlying asset, reference rate or index, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the value of transactions open at year end and are not indicative of market risk or credit risk. Fair value measurement is classified as Level 2 in the fair value hierarchy and the methodology and basis for valuation is explained in Note 27.

Derivatives designated as cash flow hedges

	2023 $'000		2022 $'000	
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	2,130	2,130	1,099	1,099

Net movement on derivatives during the year

NET MOVEMENT ON DERIVATIVES DURING THE YEAR	2023 $'000	2022 $'000
Recognised in interest income	-	9
Recognised to other comprehensive income	-	67
Total	**-**	**76**

Edsec Funding Trust No. 1 (see Note 32) entered into a fixed-for-floating swap of $1.4 billion with a third party on 14 December 2020 with a 5-year term. The Bank has entered into a back-to-back swap with the same third party. The transactions result in a legally enforceable offsetting arrangement which has not been disclosed in the table above.

Recognition and measurement

Interest rate swaps

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

Hedge accounting

The Bank determines that any proposed hedging instrument to be used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item before entering the hedge. The relationship between the hedging instrument and the hedged item, its risk management objectives, and its strategy is documented at the inception of the hedge. Existing hedges are tested on a retrospective basis to ensure that gains and losses on any ineffective portion of hedges are reported through profit and loss. Fair values of derivative instruments used for hedging purposes are provided at Note 27. Movements in the hedging reserve are provided at Note 22.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, 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.

13. Property, plant and equipment

	2023 $'000	2022 $'000
Land, at fair value	**40,768**	**42,918**
Buildings, at fair value	19,046	19,960
Less: Accumulated depreciation	(2,072)	(1,620)
Net building	**16,974**	**18,340**
Total land and buildings	**57,742**	**61,258**
Plant and equipment, at cost	37,865	37,291
Less: Accumulated depreciation	(31,765)	(30,766)
Total plant and equipment	**6,100**	**6,525**
Capitalised leasehold improvements, at cost	1,149	1,361
Less: Accumulated amortisation	(725)	(782)
Total capitalised leasehold improvements	**424**	**579**
Total property, plant and equipment	**64,266**	**68,362**

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

	2023 $'000	2022 $'000
Land, at cost	**11,232**	**13,382**
Buildings, at cost	34,636	35,289
Less: Accumulated depreciation	(19,597)	(18,757)
Net building	**15,039**	**16,532**
Carrying amount, land and buildings	**26,271**	**29,914**

b. Movement in asset balances during the year

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

	2023 $'000				
	Land	Building	Plant & equipment	Leasehold improvement	Total
Carrying amount at 1 July 2022	42,918	18,340	6,525	579	68,362
Additions	-	-	1,876	21	1,897
Revaluation increment	-	-	-	-	-
Less: Assets disposed	(2,150)	(847)	(16)	(37)	(3,050)
Less: Depreciation charge	-	(519)	(2,285)	(139)	(2,943)
Less: Revaluation decrease	-	-	-	-	-
Less: Impairment loss	-	-	-	-	-
Carrying amount at 30 June 2023	**40,768**	**16,974**	**6,100**	**424**	**64,266**

Recognition and measurement

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

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

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

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

14. Leases

a. Right-of-use assets

	2023 $'000	2022 $'000
Property	4,383	3,845
Less: Accumulated depreciation	1,850	1,479
Total property	**2,533**	**2,366**
Office equipment	317	687
Less: Accumulated depreciation	16	578
Total office equipment	**301**	**109**
Total right-of-use assets	**2,834**	**2,475**

Movement in the asset balances during the year were:

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

	2023 $'000		
	Office Building	**IT Equipment**	**Total**
Opening balance	2,366	109	2,475
Additions	316	323	639
Other adjustments	574	(6)	568
Less: Disposals	(219)	-	(219)
Less: Depreciation charge	(504)	(125)	(629)
Closing balance	**2,533**	**301**	**2,834**

The Bank has leases for offices and office equipment. Aside from short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index, are excluded from the initial measurement of the lease liability and asset. The Bank classifies its right-of-use assets in a consistent manner to its property, plant and equipment (Note 13).

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The table below describes the nature of the Bank's leasing activities by type of right-of-use asset recognised on the balance sheet.

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

RIGHT-OF-USE ASSET	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	1 - 6 years	4 years	3	-	-	-

b. Lease liabilities

	2023 $'000	2022 $'000
Current	496	563
Non-current	2,369	2,066
Total lease liabilities	**2,865**	**2,629**

Future minimum lease payments at 30 June 2023 were as follows:

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

	MINIMUM LEASE PAYMENTS DUE			
30 JUNE 2023	**Within 1 year**	**Between 2-5 years**	**After 5 years**	**Total**
Lease payments	(656)	(2,201)	(536)	(3,393)
Finance charges	160	350	18	528
Net present values	(496)	(1,851)	(518)	(2,865)

The total cash outflow for leases in 2023, including leases of low-value assets was $ 1,122,606 (2022: $976,843).

Recognition and measurement

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

- 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 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 rate method. It is re-measured if:

- there is a change in future lease payments arising from a change in an index or rate;
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee;
- if there is a change in the Bank's assessment of whether it will exercise a purchase, extension or termination option; or
- if there is a 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 not elected to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets generally comprise IT equipment and small items of office furniture.

	2023 $'000	2022 $'000
Short-term leases	-	-
Leases of low-value assets	366	286
Variable lease payments	-	-
Total	**366**	**286**

Bank as a lessor

As a lessor, the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, or is an operating lease if it does not.

Critical judgements in determining the lease term

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

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

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

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

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

During the current financial year, the effect of revising lease terms and the incremental borrowing rate was an increase of $568,579 in the recognised lease liabilities and right-of-use assets (2022: $202,627).

15. Intangible assets

	2023 $'000	2022 $'000
Computer software, at cost	22,335	22,088
Less: Accumulated amortisation	(21,494)	(21,123)
Total intangible assets	**841**	**965**

Movement in balances during the year:

	2023 $'000	2022 $'000
Opening balance	965	1,593
Additions	247	406
Less: Amortisation charge	(371)	(1,034)
Less: Assets disposed	-	-
Closing balance	**841**	**965**

Recognition and measurement

Internally developed software

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

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

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

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

Employee (excluding Director) directly attributable costs include 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 to obtain access to the cloud provider's application software are recognised as expenses when the services are received. Costs incurred for the development of software code that creates additional capability to existing on-premise systems and meets the recognition criteria for an intangible asset are recognised as intangible assets. Refer Note 11 for further details.

Subsequent measurement

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

- Internally developed software: 2.5 to 4 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

Subsequent expenditures on maintenance of the component of intangible assets i.e., computer software maintenance/subscriptions are expensed as incurred.

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

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

16. Borrowings

	2023 $'000	2022 $'000
Term Funding Facility	324,715	324,715
RBA Repo	-	150,219
Total borrowings	**324,715**	**474,934**

Class A notes of the Edsec Funding Trust No 1 to the value of $657.3 million have been pledged as collateral to secure the Term Funding Facility borrowing. The borrowing has a term of 3 years with an interest rate of 0.10% to 0.25% payable. The Bank can elect to repay the RBA at any time. Refer to Note 25 for maturity profile.

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:

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

	2023 $'000		
	Gross	**Current borrowing**	**Net available**
Overdraft facility	5,000	-	5,000

The Bank has an overdraft facility with Cuscal and maintains a security deposit of $55 million (2022: $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 2023, this facility was not utilised.

17. Wholesale sector funding

	2023 $'000	2022 $'000
Negotiable certificates of deposit on issue	478,623	354,715
Floating rate notes on issue	456,535	199,378
Wholesale deposits	308,741	42,111
Total wholesale sector funding	**1,243,899**	**596,204**

Recognition and measurement

Deposits from other financial institutions

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

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

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

18. Retail deposits

Retail deposits at amortised cost

	2023 $'000	2022 $'000
At call	4,770,636	5,883,129
Term	3,610,315	2,712,095
Member withdrawable shares	2,340	2,304
Total retail deposits	**8,383,291**	**8,597,528**

Recognition and measurement

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

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

Concentration of retail deposits

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

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

BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2023 $'000	2022 $'000
Aware Super	2,324,316	2,198,118
NSW Department of Education	781,420	850,408

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2023 Number	2022 Number
Aware Super	17,133	16,293
NSW Department of Education	21,445	22,522

iii) Geographical concentrations are as follows:

GEOGRAPHICAL CONCENTRATIONS	2023 $'000	2022 $'000
New South Wales	6,866,445	7,034,195
Western Australia	389,572	399,826
Queensland	266,040	280,700
Australian Capital Territory	215,360	226,606
Victoria	414,685	439,952
Other	136,792	126,347
South Australia	44,075	40,405
Tasmania	37,001	33,919
Northern Territory	13,321	15,578
Total	**8,383,291**	**8,597,528**

19. Creditors, accruals and settlement accounts

	2023 $'000	2022 $'000
Creditors and accruals	5,070	5,116
Interest payable on borrowings	1,650	1,094
Unearned income	1,398	1,379
Settlement accounts	16,925	15,261
Total creditors, accruals and settlement accounts	**25,043**	**22,850**

20. Provisions

	2023 $'000	2022 $'000
Employee entitlements	25,491	23,264
Lease make good of premises	456	412
Broker trail commission	28,922	20,685
Director development	174	269
Consumer remediation	445	-
Total provisions	**55,488**	**44,630**

Provision movements comprise:

	2023 $'000	2022 $'000
EMPLOYEE ENTITLEMENTS		
Balance – previous year	23,264	22,558
Less: Paid	(9,153)	(8,819)
Liability increase (decrease)	11,380	9,525
Balance – current year	**25,491**	**23,264**
LEASE MAKE GOOD OF PREMISES		
Balance – previous year	412	443
Less: Paid	(16)	(33)
Liability increase (decrease)	60	2
Balance – current year	**456**	**412**
BROKER TRAIL COMMISSION		
Balance – previous year	20,685	20,866
Less: Paid	(8,341)	(6,908)
Liability increase (decrease)	16,578	6,727
Balance – current year	**28,922**	**20,685**
DIRECTOR DEVELOPMENT		
Balance – previous year	269	262
Less: Paid	(46)	(6)
Liability decrease (increase)	(49)	13
Balance – current year	**174**	**269**
CONSUMER REMEDIATION		
Balance – previous year	-	-
Less: Paid	-	-
Liability increase (decrease)	445	-
Balance – current year	**445**	**-**

Recognition and measurement

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

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

Employee benefits

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

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

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

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

The rates applied to give effect to the discount of cash flows were 3.952% to 4.368% (2022: 2.380% to 3.800%).

The Wage Price Index (WPI) published in May-23 was used: average of Jun-23 & Jun-24 forecast at 3.85% (2022: average of 3.50%).

Leasehold make good

The Bank is required to restore the lease premises of its office building to their original condition at the end of the respective lease terms. Provision for make good costs on operating leases is recognised based on the net present value of future expenditure at the conclusion of the lease term, discounted at interest rates attaching to government-guaranteed securities for terms to maturity approximating the terms of the related liability. Increases in the provision in future years are recognised as part of the interest expense.

The rates applied to give effect to the discount of cash flows were 2.920% to 4.077% (2022: 0.008% to 3.534%).

Broker trail commission

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

The rates applied to give effect to the discount of cash flows were 3.952% to 4.368% (2022: 1.035% to 3.655%).

Consumer remediation

Unfortunately, the Bank has detected some errors impacting client accounts that require reimbursements which the Bank intends to resolve as quickly as possible. The Bank undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to clients, as well as interest, fees and premiums charged including insurance distribution. The majority of these errors have been self-identified through these compliance activities and thorough reviews of Member complaints.

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.

An amount of $445,000 is included within provisions and relates to ongoing consumer remediation. This provision relates solely to refunds payable to consumers.

Provisions are recognised when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability (Note 29) with respect to these matters however, the aggregated potential liability of the above matters cannot be reliably measured.

21. Subordinated debt

	2023 $'000	2022 $'000
Subordinated debt	-	20,000
Accrued interest	-	53
Total subordinated debt	**-**	**20,053**

On 7 September 2022, Teachers Mutual Bank Limited redeemed $20 million of subordinated notes, with APRA approval, on their 5 year call date.

22. Reserves

	2022 $'000					
	Cash flow hedge reserve	**Redeemed Member Share reserve**	**Property Revaluation reserve**	**Equity FVOCI reserve**	**General reserve for credit losses**	**Total reserves**
Balance at 1 July 2021	(67)	870	-	4,327	24,336	29,466
Cash flow hedges:						
- current year gains	67	-	-	-	-	67
Financial assets FVOCI:						
- current year gains / (losses) – items that will not be reclassified subsequently to profit or loss	-	40	31,249	(1,618)	(24,336)	5,335
Before tax	**-**	**910**	**31,249**	**2,709**	**-**	**34,868**
Tax benefit (expense)	-	-	(5,092)	485	-	(4,607)
Balance at 30 June 2022	**-**	**910**	**26,157**	**3,194**	**-**	**30,261**

	2023 $'000					
	Cash flow hedge reserve	**Redeemed Member Share reserve**	**Property Revaluation reserve**	**Equity FVOCI reserve**	**General reserve for credit losses**	**Total reserves**
Balance at 1 July 2022	-	910	26,157	3,194	-	30,261
Cash flow hedges:						
- current year gains	-	-	-	-	-	-
Financial assets FVOCI:						
- current year gains / (losses) – items that may be reclassified subsequently to profit or loss	-	50	(266)	-	-	(216)
Before tax	**-**	**960**	**25,891**	**3,194**	**-**	**30,045**
Tax benefit (expense)	-	-	45		-	45
Balance at 30 June 2023	**-**	**960**	**25,936**	**3,194**	**-**	**30,090**

Recognition and measurement

Cash flow hedge reserve

The cash flow hedge reserve comprises fair value gains or losses associated with the effective portion of designated cash flow hedging instruments, net of tax. Cumulative deferred gains or losses on hedges are recognised as profits or losses when the hedged transactions meet the requirements described in accounting policy Note 12.

Redeemed Member share reserve

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

Property revaluation reserve

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

Equity FVOCI reserve

Refer to Note 10.

General Reserve for Credit Losses

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

23. Financial risk management objectives and policies

Overview of risk management framework

The Bank is exposed to financial risks, non-financial risks and strategic risks arising from its operations. The Bank manages these risks through its Risk Management Framework (the Framework), which evolves to accommodate changes in the business operating environment, better practice approaches and regulatory and community expectations. The Bank's Framework is outlined below.

Risk Management Framework

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 the three documentary components:

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

The Framework is underpinned by the following that enable the Bank to effectively identify, record, manage and monitor risks.

Risk Governance and Risk Reporting

The Bank is committed to risk management practices that reflect a high standard of governance. This enables management to undertake in an effective manner, prudent risk-taking activities.

Across the Bank, management level risk governance is undertaken by a hierarchy of committees and forums. Regular management information is produced that allows financial and non-financial risk positions to be monitored against approved risk appetite and policy limits.

At Board level, the majority of risk reporting is provided to the Board Risk and Compliance Committee, although select matters are reported to the Board Audit Committee or directly to the Board, as required. The Committees are required to devote time and expertise to these areas over and above the time prescribed in scheduled Board meetings.

The Board Risk and Compliance Committee is responsible for the oversight and governance of risks and the program of compliance that impact the Bank. It oversees the design, implementation and operation of the Risk Framework and helps formulate the Bank's Risk Appetite for consideration by the Board. In particular it:

- Monitors the Bank's risk profile, including compliance with prudential and legislative obligations, and
- Reviews regular reports from management on the measurement of risk and the adequacy and effectiveness of the Bank's risk management and internal control systems.

The Board Audit Committee oversees financial reporting and effectiveness of audits and assists the Board by:

- Providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal controls;
- Overseeing the integrity and quality of the Bank's financial reports and statements, including financial information provided to regulators and Members;

- Monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management processes;
- Monitoring the effectiveness of the internal audit function;
- Monitoring the effectiveness of the external audit function; and
- Reviewing the processes established by Management to ensure adherence to the requirements of legislation and regulation, in particular Prudential Standards, the Corporations Act and Anti-Money Laundering and Counter-Terrorism Financing Act.

Risk Policies and Procedures

Risk policies and procedures provide guidance to the business on the management of each material risk. They support the Framework by:

- Summarising the principles and practices to be used by the Bank in identifying and assessing its material risks; and
- Quantifying the operating tolerance for material risks.

The Risk Framework is supported by key infrastructure systems and processes for the management of the Bank's material risks. The key risk management systems and processes in place include:

- Risk processes to identify, assess, escalate, monitor and manage risks and issues;
- Management information systems to measure risks across the Bank;
- Risk models and tools.

The effective management of the Bank's material risks requires appropriate resourcing of skilled employees within each of the Bank's 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 is as follows:

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. The Bank, through its training and management standards and procedures, aims 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 the Bank's risk management framework and reports to the Board, Committees and senior management.
Third	Internal audit provides the third line of defence, providing independent assurance on the effectiveness of the risk management framework. The Bank's 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 of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk Culture

Risk culture is the beliefs, values and behaviours that determine how risks are identified, measured, governed, and acted upon. A positive risk culture drives the right risk decisions and helps the Bank make sound judgements in new and unfamiliar circumstances. The risk behaviours that demonstrate a positive risk culture are expected of all employees and underpinned by our values of advocacy, passion and sustainability. The Bank measures and monitors Risk Culture, reports on the culture to the Board every six months and annually measures Risk Culture, based on the Ten Dimensions of Risk Culture used by APRA.

Material Risks

The Bank has exposure to the following material risks:

- **Market risk**
  - » Interest rate risk
  - » Equity investments
  - » Liquidity risk
- **Credit risk**
  - » Lending
  - » Investing
- **Operational risk**
- **Strategic**
- **Compliance**

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

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

Market Risk

Interest Rate Risk

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

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

Primary

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

Secondary

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

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

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

Value at Risk (VaR) as a % of capital

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

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

The level of mismatch in the banking book is set out in Note 25. Note 26 displays the period that each asset and liability will reprice as at the balance date.

Market Risk – equity Investments

The Bank invests in entities established to provide services such as transactions processing and settlement where specialisation demands that quality staff and systems are secured from a single entity. Details of these investments are set out in Note 10.

Liquidity Risk

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

The Bank manages liquidity risk by:

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

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

The Bank is subject to the minimum liquidity holdings approach under Prudential Standard APS 210 and as such is not required to adopt the liquidity coverage ratio or net stable funding ratio measures. The Bank is required to maintain a minimum 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Bank's liquidity policy is to maintain at least 11% of funds as liquid assets to maintain adequate funds to meet Member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits whether from ADIs, retail and wholesale depositors, or available borrowing facilities. Note 16 describes the borrowing facilities available as at the balance date. The Bank also maintains a self-securitisation capability. Note 32 details the balance of loans securitised to create repo-eligible securities.

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

	2023	2022
At 30 June	15.45%	14.74%
Average for the year	15.35%	14.45%
Minimum during the year	14.29%	13.21%
Total adjusted liabilities	**$10,722,908,580**	**$10,409,390,357**

Credit Risk

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

Credit Risk – Lending

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus undrawn facilities consisting of loans approved not advanced, redraw facilities, overdraft facilities and credit card limits. The details are shown in Note 28.

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

All loans and facilities are within Australia. Geographic distribution is detailed in Note 8e.

Concentrations are described in Note 8e. The Bank has a concentration in housing and consumer credit lending to Members who are predominantly employees in the Australian education, emergency services or health sectors and their families. This concentration is considered acceptable on the basis that the Bank's focus is to service these Members, the sectors are essential and stable sectors and employment concentration is not restricted to one employer. Should Members leave the sector, the loans continue and other employment opportunities are available to the Members to facilitate the repayment of the loans.

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

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

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

Collateral securing loans

A sizeable portion of the loan book is secured against residential property in Australia. The Bank is therefore exposed to potential losses in the event of a decline in property valuations, should the borrower default.

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

Credit risk – Investing

The Bank maintains a treasury credit risk policy to limit risk associated with the investment of funds that are required to be held as high quality liquid investments to be eligible for inclusion in the regulatory liquidity calculation meet APRA's investment grade rating criteria. Limits are applied across individual country, individual counter party, credit grading class and tenor dimensions. Any individual counterparty credit exposure must not exceed 50% of capital. Internal analysis must be conducted before the Asset and Liability Committee approves individual credit limits, reviews large exposure to counterparties, oversights the annual review of the counterparties. The Board Risk and Compliance Committee oversights Treasury Risk.

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

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

	2023 $'000			
INVESTMENTS RATED:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
A-1+ to A-1 (short-term)	5	412,353	-	-
A-2 or P-2 (short-term)	16	380,024	-	-
A-3 or P-3 (short-term)	-	-	-	-
AAA (long-term)	4	59,137	-	-
AA+ to AA-or Aa3 (long-term)	8	476,799	-	-
A+ to A- (long-term)	10	241,865	-	-
BBB+ to BBB or Baa1 (long-term)	7	185,133	-	-
Total		**1,755,311**	**-**	**-**

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

Operational Risk

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

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

Systems of internal controls are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- identification, reporting and rectifying operational incidents that have occurred including performing a root cause analysis in order to improve the controls;
- Management of the Bank's third party vendors to ensure service expectations are met or exceeded;
- education of Members to review their account statements and report exceptions to the Bank promptly;
- effective dispute resolution procedures to respond to Member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Operational risk management

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

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

Cyber Risk

The Bank is required to meet APRA's prudential standard CPS 234 Information Security and has a cybersecurity framework based on National Institute of Standards and Technology (NIST) that facilitates the preservation of the confidentiality, integrity and availability of information assets. Information assets means information and information technology, including software, hardware and data (both soft and hard copy). The Bank also utilises the Essential Eight methodology to manage cyber risk.

Cyber risk is subject to ongoing monitoring and oversight by the second line of defence, the Board Risk and Compliance Committee and the Board, including being reported monthly to management and Board based on the Bank's Risk Appetite. There is ongoing improvement of the Bank's cyber security structures, processes and operations based on the cyber security strategy that is regularly reviewed considering the changing external cyber risk environment.

Compliance Risk

With the increase in legislation, prudential requirements and industry codes the management of compliance risk requires the Bank to continually evolve and reinforce policies and processes to ensure that the Bank complies in the appropriate manner.

The Bank has a compliance program that incorporates a forward looking view of oncoming changes to the compliance environment, which is used to prioritise resources to manage the volume of changes. The program includes regular reviews of policies, procedures and reporting to ensure compliance with legal requirements, the code of ethics and Prudential Standards.

Compliance risk management is oversighted by management, Board Risk and Compliance Committee and the Board.

Fraud Risk

With the heightened risk in the fraud and scam landscape, the management of fraud risk requires the Bank to continually evolve and reinforce systems, policies and processes to ensure that the Bank manages fraud risk.

This is operationalised by ensuring that systems, policies and processes are regularly reviewed to take account of the evolving fraud landscape and that external intelligence of frauds and scams are shared internally. The Bank has robust systems, policies and processes in place including 24/7 transaction monitoring, multi factor authentication on first payee transactions and Member education on how to avoid scams.

Fraud risk management is oversighted by management, Board Risk and Compliance Committee and the Board.

Outsourcing arrangements

The Bank maintains arrangements with other organisations to facilitate the supply of services to Members and customers. Material outsourced arrangements are reviewed monthly to ensure that the services are being delivered within service level agreements and their contracts are legally reviewed prior to executing. Strategic outsourcing vendors performance against service levels are reviewed at least six monthly to ensure that the Bank has received the appropriate service provision, as contracted.

All material outsourcing arrangements are subject to a due diligence review, are approved by the Board and are subject to ongoing monitoring.

Capital management

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

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

Pillar 1

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

Credit risk

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

Market risk

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

Operational risk

Operational risk is measured using the Standardised Approach defined in Prudential Standard APS110. The capital charge is based on a flat 10% of credit risk weighted assets.

RISK WEIGHTED ASSETS	2023* $'000	2022 $'000
Credit Risk	3,930,032	3,998,485
Operational Risk	393,003	516,465
Market Risk	-	-
Total Risk Weighted Assets	**4,323,035**	**4,514,950**

*The new capital standard, APS 110, came into effect 1 January 2023.

Capital resources

Tier 1 capital

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

Tier 2 capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by the Prudential Standards. Tier 2 capital generally comprises a reserve for Credit Losses and Subordinated debt.

Our policy requires a minimum risk weighted prudential capital ratio of 12.50% be maintained at all times, with additional reporting to the Board with an updated plan if the capital ratio falls below 14%.

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

CAPITAL IS MADE UP AS FOLLOWS:	2023 $	2022 $
Tier 1 Common equity	684,435,540	656,163,483
Less: Prescribed deductions	(16,062,429)	(14,493,752)
Tier 1 capital	**668,373,111**	**641,669,731**
Tier 2 Reserve for credit losses	5,750,169	4,434,094
Tier 2 Subordinated debt	-	17,444,269
Total Tier 2 capital	**5,750,169**	**21,878,363**
Total capital	**674,123,280**	**663,548,094**

Capital adequacy is calculated by dividing capital (detailed above) by risk weighted assets (detailed above).

THE CAPITAL RATIO AS AT THE END OF THE FINANCIAL YEAR OVER THE PAST 5 YEARS IS AS FOLLOWS:	2023*	2022	2021	2020	2019
CET 1 capital adequacy	15.46%	14.21%	12.92%	14.12%	13.86%
Tier 2 capital adequacy	0.13%	0.49%	1.14%	1.18%	0.95%
Total capital adequacy	15.59%	14.70%	14.06%	15.30%	14.81%

*The new capital standard came into effect 1 January 2023. The new prudential calculation implemented resulted in the following changes:

- significant capital relief in the residential mortgage book;
- new risk weighting on unused revolving credit limits;
- new requirement to remove implicit government support from ADI investments;
- simplified calculation of operational risk at 10% of credit risk weighted assets.

Pillar 2 risk capital

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

These risks fall into 3 categories.

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

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

Pillar 2 Risk Factors

Pillar 2 risks assessed as being of sufficient significance to require additional capital support over and above the Pillar 1 capital requirement include strategic risks such as business environment, credit risk; operational risks including fraud, products and business practices and business disruption; as well as market risks incorporating liquidity and interest rate risk in the banking book.

Internal capital adequacy management

The Bank manages its capital levels for both current and future activities by conducting an internal capital adequacy process at least annually. This process includes reviewing the current capital levels and composition to the underlying risk weighted assets, potential growth and changes in those assets, both planned and shocked for various unfavourable scenarios. Appropriate risk appetite and thresholds are set to ensure the Bank remains unquestionably strong. A capital management plan is prepared for the forecasted three years. Management Risk Committee and Asset & Liability Committee review and recommend the assessment and plans to the Board and its sub-committees. Continuous monitoring and forecasting of risks, risk weighted assets and capital occurs by the responsible departments, management committees, Board sub-committees and the Board. The capital required for any change in the Bank's forecasts for asset growth or unforeseen circumstances are assessed by the Board. The capital resource model is then produced for further Board consideration. Management then updates the forecast capital resources models produced and the impact upon the overall capital position of the Bank is reassessed.

24. Categories of financial instruments

The following information classifies the financial instruments into measurement classes

	Note	2023 $'000	2022 $'000
FINANCIAL ASSETS			
Financial assets – carried at amortised cost			
Cash and cash equivalents	7	188,600	171,198
Receivables	9	22,632	12,540
Other financial assets	10	1,567,391	1,481,925
Loans and advances to Members	8	8,869,755	8,674,980
Total carried at amortised cost		**10,648,378**	**10,340,643**
Financial assets – carried at fair value			
Other financial assets:			
- Shares in unlisted companies (at FVOCI)	10	10,038	10,038
- Investment in controlled entities	10	-	47
Derivative assets held for hedging purposes	12	2,130	1,099
Total financial assets		**10,660,546**	**10,351,827**

	Note	2023 $'000	2022 $'000
FINANCIAL LIABILITIES			
Financial liabilities – carried at amortised cost			
Wholesale sector funding	17	1,243,899	596,204
Retail deposits	18	8,383,291	8,597,528
Creditors, accruals and settlement accounts	19	25,043	22,850
Borrowings	16	324,715	474,934
Subordinated debt	21	-	20,053
Total carried at amortised cost		**9,976,948**	**9,711,569**
Financial assets – carried at fair value			
Derivative liabilities held for hedging purposes	12	2,130	1,099
Total financial liabilities		**9,979,078**	**9,712,668**

25. Maturity profile of financial assets and liabilities

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

2023 $'000								
ASSETS	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash and cash equivalents	188,600	-	-	-	-	-	188,600	188,600
Receivables	15,067	5,586	4,205	111,132	38,650	-	174,640	22,632
Other financial assets	109,788	466,668	151,098	811,871	27,966	10,038	1,577,429	1,577,429
Loans and advances to members	58,925	117,151	521,691	2,375,611	11,066,729	-	14,140,107	8,869,755
Derivative assets held for hedging purposes	2,130	-	-	-	-	-	2,130	2,130
Total financial assets	**374,510**	**589,405**	**676,994**	**3,298,614**	**11,133,345**	**10,038**	**16,082,906**	**10,660,546**
LIABILITIES								
Wholesale sector funding	166,296	328,724	185,415	636,307	-	-	1,316,742	1,243,899
Retail deposits	2,638,980	771,927	3,366,181	1,665,169	-	6,607	8,448,864	8,383,291
Creditors, accruals and settlement accounts	25,043	-	-	-	-	-	25,043	25,043
Derivative liabilities held for hedging purposes	2,130	-	-	-	-	-	2,130	2,130
Borrowings	-	192,820	131,895	-	-	-	324,715	324,715
Subordinated debt	-	-	-	-	-	-	-	-
Total financial liabilities	**2,832,449**	**1,293,471**	**3,683,491**	**2,301,476**	**-**	**6,607**	**10,117,494**	**9,979,078**

2022 $'000								
ASSETS	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash and cash equivalents	116,245	-	54,953	-	-	-	171,198	171,198
Receivables	10,077	1,543	2,878	58,238	-	-	72,736	12,540
Other financial assets	151,354	277,978	341,474	711,120	-	10,084	1,492,010	1,492,010
Loans and advances to Members	49,612	98,594	438,568	1,947,912	9,227,360	-	11,762,046	8,674,980
Derivative assets held for hedging purposes	1,099	-	-	-	-	-	1,099	1,099
Total financial assets	**328,387**	**378,115**	**837,873**	**2,717,270**	**9,227,360**	**10,084**	**13,499,089**	**10,351,827**
LIABILITIES	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**No maturity**	**Total**	**Statement of financial position**
Wholesale sector funding	97,399	231,000	149,105	131,097	-	-	608,601	596,204
Retail deposits	3,357,956	1,317,282	1,907,543	2,015,312	-	7,500	8,605,593	8,597,528
Creditors, accruals and settlement accounts	22,850	-	-	-	-	-	22,850	22,850
Derivative liabilities held for hedging purposes	1,099	-	-	-	-	-	1,099	1,099
Borrowings	150,219	-	-	324,715	-	-	474,934	474,934
Subordinated debt	-	-	-	-	24,246	-	24,246	20,053
Total financial liabilities	**3,629,523**	**1,548,282**	**2,056,648**	**2,471,124**	**24,246**	**7,500**	**9,737,323**	**9,712,668**

26. Interest rate change profile of financial assets and liabilities

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

	2023 $'000						
ASSETS	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Cash and cash equivalents	187,920	-	-	-	-	680	188,600
Receivables	-	-	-	-	-	22,632	22,632
Other financial assets	437,462	1,119,905	1,000	8,522	502	10,038	1,577,429
Loans and advances to members	3,715,289	412,958	1,682,223	3,010,583	8,143	163	8,829,359
Derivative assets held for hedging purposes	2,130	-	-	-	-	-	2,130
Total financial assets	**4,342,801**	**1,532,863**	**1,683,223**	**3,019,105**	**8,645**	**33,513**	**10,620,150**
LIABILITIES							
Wholesale sector funding	441,001	500,148	178,722	111,090	-	12,938	1,243,899
Retail deposits	2,638,814	769,775	3,314,337	1,653,758	-	6,607	8,383,291
Creditors, accruals and settlement accounts	-	-	-	-	-	25,043	25,043
Derivative liabilities held for hedging purposes	2,130	-	-	-	-	-	2,130
Borrowings	-	192,820	131,895	-	-	-	324,715
Subordinated debt	-	-	-	-	-	-	-
On-statement of financial position	**3,081,945**	**1,462,743**	**3,624,954**	**1,764,848**	**-**	**44,588**	**9,979,078**
Undrawn loan commitments (see Notes 28a, 28b, 28c)	967,339	-	-	-	-	-	967,339
Total financial liabilities	**4,049,284**	**1,462,743**	**3,624,954**	**1,764,848**	**-**	**44,588**	**10,946,417**

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

LIABILITIES	2022 $'000 Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	> 5 years	Non-interest bearing	Total
Wholesale sector funding	196,288	330,191	48,844	20,020	-	861	596,204
Retail deposits	3,357,856	1,316,315	1,902,749	2,013,108	-	7,500	8,597,528
Creditors, accruals and settlement accounts	-	-	-	-	-	22,850	22,850
Derivative liabilities held for hedging purposes	1,099	-	-	-	-	-	1,099
Borrowings	150,219	-	-	324,715	-	-	474,934
Subordinated debt	-	20,000	-	-	-	53	20,053
On-statement of financial position	**3,705,462**	**1,666,506**	**1,951,593**	**2,357,843**	**-**	**31,264**	**9,712,668**
Undrawn loan commitments (see Notes 28a, 28b, 28c)	958,817	-	-	-	-	-	958,817
Total financial liabilities	**4,664,279**	**1,666,506**	**1,951,593**	**2,357,843**	**-**	**31,264**	**10,671,485**

27. Fair value of financial assets and liabilities

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

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

	2023 $'000		2022 $'000	
ASSETS	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Cash and cash equivalents	188,600	188,600	171,198	171,198
Receivables	22,632	22,632	12,540	12,540
Other financial assets	1,574,535	1,577,429	1,484,099	1,492,010
Loans and advances to members	8,658,176	8,869,755	8,425,289	8,674,980
Derivative assets held for hedging purposes	2,130	2,130	1,099	1,099
Total financial assets	**10,446,073**	**10,660,546**	**10,094,225**	**10,351,827**

	2023 $'000		2022 $'000	
LIABILITIES	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Wholesale sector funding	1,241,233	1,243,899	592,030	596,204
Retail deposits	8,402,162	8,383,291	8,599,019	8,597,528
Creditors, accruals and settlement accounts	25,043	25,043	22,850	22,850
Derivative liabilities held for hedging purposes	2,130	2,130	1,099	1,099
Borrowings	324,715	324,715	474,934	474,934
Subordinated debt	-	-	20,053	20,053
Total financial liabilities	**9,995,283**	**9,979,078**	**9,709,985**	**9,712,668**

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 specific provisions for doubtful debts.

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

The rates applied to give effect to the discount of cash flows were 5.64%-11.99% (2022: 3.04%-11.99%).

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

Borrowings and retail deposits

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

Short-term borrowings: the carrying value of payables due to other financial institutions approximate their fair value as they are short-term in nature and reprice frequently.

Long-term borrowings: the carrying value approximates their fair value.

Derivative held for hedging purposes

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

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

		Fair value measurement at end of the reporting period using:		
FINANCIAL ASSETS AT FVOCI	**Balance**	**Level 1**	**Level 2**	**Level 3**
Shares in unlisted companies	10,038	-	-	10,038
Derivatives	2,130	-	2,130	
Land and buildings	57,742	-	57,742	-
Total	**69,910**	**-**	**59,872**	**10,038**

The fair value hierarchy has the following levels:

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

Shares in unlisted companies at fair value through OCI

Due to the lack of publicly available data on the transfer of these shares, the Bank has measured the shares at fair value using unobservable inputs and classified them as a Level 3. Refer to Note 10.

Land and buildings

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

Cash flow hedge derivatives

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

28. Financial commitments

a. Outstanding loan commitments

	2023 $'000	2022 $'000
Loans approved but not funded	186,064	224,992

b. Loan redraw facilities

	2023 $'000	2022 $'000
Loan redraw facilities available	491,383	435,717

c. Undrawn loan facilities

	2023 $'000	2022 $'000
LOAN FACILITIES AVAILABLE TO MEMBERS FOR OVERDRAFTS AND CREDIT CARDS ARE AS FOLLOWS:		
Total value of facilities approved	359,697	365,750
Less: Amount advanced	(69,805)	(67,642)
Net undrawn value	**289,892**	**298,108**

d. Future capital commitments

	2023 $'000	2022 $'000
THE BANK HAS ENTERED INTO A CONTRACT TO PURCHASE PLANT AND PROPERTY FOR WHICH THE AMOUNT IS TO BE PAID OVER THE FOLLOWING PERIODS:		
Not later than one year	1,163	-
Later than 1 year but not five years	-	-
Total	**1,163**	**-**

e. Computer capital commitments

	2023 $'000	2022 $'000
Not later than one year	-	-
Later than 1 year but not five years	-	-
Total	**-**	**-**

f. Lease expense commitments for low-value

OPERATING LEASES ON PROPERTY OCCUPIED BY THE BANK AND IT EQUIPMENT:	2023 $'000	2022 $'000
Not later than one year	352	361
Later than one year but not five years	198	130
Total	**550**	**491**

29. 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 Reserve Bank as a part of the ADI's liquidity support arrangements.

Guarantees

	2023 $	2022 $
Bank guarantees provided for Members	49,481	473,336

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

Consumer Remediation

The Bank undertakes ongoing compliance activities, including review of products, advice, conduct and services provided to clients, as well as interest, fees and premiums charged including insurance distribution.

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 (note 20) when it is probable an outflow will be required to address a past event and where a reliable estimate is available. There remains a contingent liability with respect to these matters, however, the aggregated potential liability of the above matters cannot be reliably measured.

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

a. Remuneration of KMP

Key management of the Bank are the Members of the Bank's Board of Directors and Members of the Executive Management. Key management personnel remuneration includes the following expenses:

	2023 $'000					2022 $'000				
	Chair	Other Directors	CEO	Other KMP	Total	Chair	Other Directors	CEO	Other KMP	Total
a. Short-term employee benefits*	138	659	1,002	4,089	5,888	135	657	1,013	3,960	5,765
b. Post-employment benefits – superannuation contributions	14	85	100	243	442	13	65	100	262	440
c. Other long-term benefits – increases in long service leave provision	-	-	63	108	171	-	-	73	181	254
d. Termination benefits#	-	-	1,688	-	1,688	-	-	-	-	-
e. Share-based payment	-	-	-	-	-	-	-	-	-	-
Total remuneration	**152**	**744**	**2,853**	**4,440**	**8,189**	**148**	**722**	**1,186**	**4,403**	**6,459**

*Short-term benefits include movements in annual leave entitlements.

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

After 44 years at Teachers Mutual Bank Limited, 18 of those years as the Bank's CEO, Steve James will step down as CEO during the last quarter of 2023. He and the Board have been reviewing the organisation's strategy and together felt this was an appropriate time for him to hand over the reins to a new CEO to take Teachers Mutual Bank Limited through its next phase of growth. The Board has commenced an executive search for Steve's successor and are committed to ensuring a smooth transition for our people and our Members.

b. Loans to Directors and other KMP

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

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

	2023 $'000			2022 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	160	-	70	43	-	74
Balance	2,792	-	3	2,333	-	6
Amounts disbursed or facilities increased in the year	2,553	-	6	1,957	-	20
Interest and other revenue earned	111	-	4	34	-	3

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

	2023 $'000	2022 $'000
Total value term and savings	2,138	1,970
Total interest paid on deposits	32	11

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

d. Transactions with other related entities

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

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

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

An attendance fee was paid to Graeme Green as chair of the Members Committee and member of the TMB Advisory Committee, amounting to $10,500 (2022: $12,000). Graeme Green is the spouse of Linda Green, a Director of TMBL. Salaries amounting to $124,578 (2022: $94,192) were paid to the spouses of other KMPs.

31. Segmental reporting

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

32. Transfers of financial assets

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

Securitised loans retained on-statement of financial position

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

The value of securitised loans that do not qualify for de-recognition are set out below. Loans comprise variable interest rate loans, with the book value and fair value of the loans being equivalent. Fixed interest rate loans were included in the trust for the first time during FY21. During the year, the Bank assigned no additional loans (2022: $940 million) to the trust.

	2023 $'000	2022 $'000
Total amount of securitised loans under management	1,628,903	2,089,073

33. 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.

34. 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.

Auditor’s Independence Declaration

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Auditor’s Independence Declaration

To the Directors of Teachers Mutual Bank Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2023, 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, 28 August 2023

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Independent Auditor's Report

Grant Thornton

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Independent Auditor's Report

To the Members of Teachers Mutual Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Teachers Mutual Bank Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2023 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.

Independent Auditor's Report

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 2023 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott

Claire Scott
Partner – Audit & Assurance

Sydney, 28 August 2023

Grant Thornton Australia Limited

Directors' Declaration of Independence

TEACHERS MUTUAL
BANK LIMITED

Directors' declaration of independence

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

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

    i. Giving a true and fair view of the financial position as at 30 June 2023 and of its performance for the financial year ended on that date, and

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

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

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

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

Signed in accordance with a resolution of the Directors:

Maree O'Halloran, Chairperson

Signed and dated this 28th day of August 2023

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