TEACHERS MUTUAL BANK LIMITED

Annual Report and Sustainability Update 2018–2019

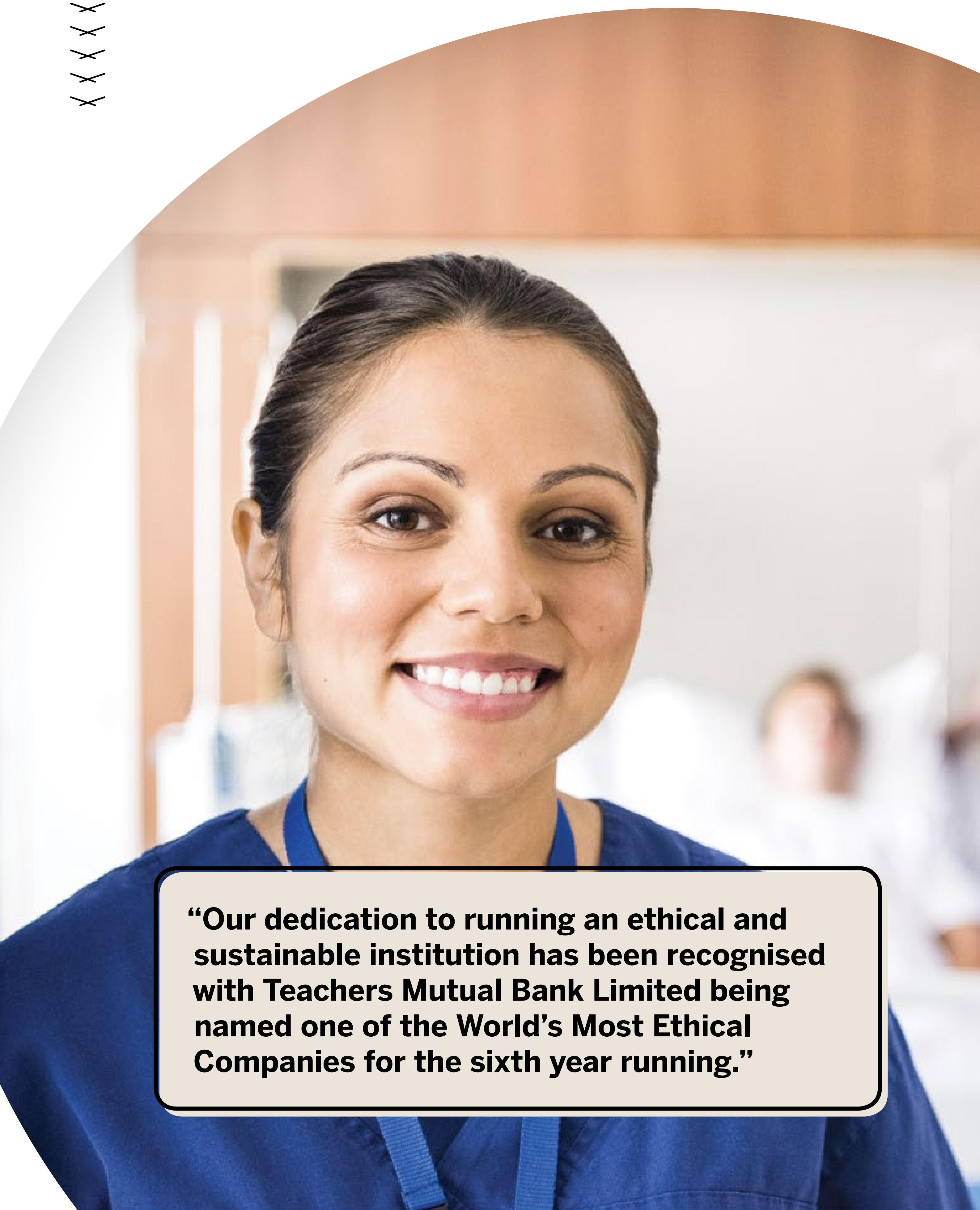
TEACHERS MUTUAL BANK LIMITED

Firefighters Mutual Bank

Health Professionals Bank

Teachers Mutual Bank

UniBank



“Our dedication to running an ethical and sustainable institution has been recognised with Teachers Mutual Bank Limited being named one of the World’s Most Ethical Companies for the sixth year running.”

Annual Report and Sustainability Update

Our mission is to deliver quality financial products and services to workers and their families within the education, emergency services, and health communities. We will do this in an ethical, simple and friendly manner.

TEACHERS MUTUAL BANK LIMITED

Telephone: 13 12 21 | **Fax:** (02) 9704 8205
Email: enquiry@tmbl.com.au | **Address:** 28-38 Powell Street Homebush NSW 2140 | **PO Box:** PO Box 7501 Silverwater NSW 2128 | **ABN:** 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981 | **Design:** www.frescocreative.com.au

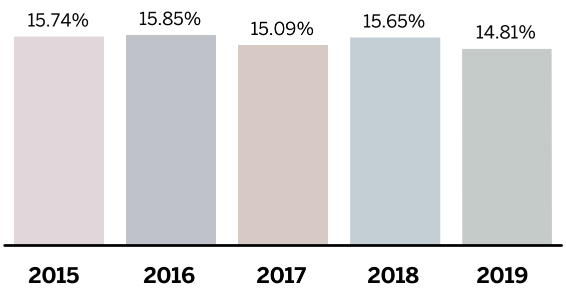
OVERVIEW

Key Financial Performance

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

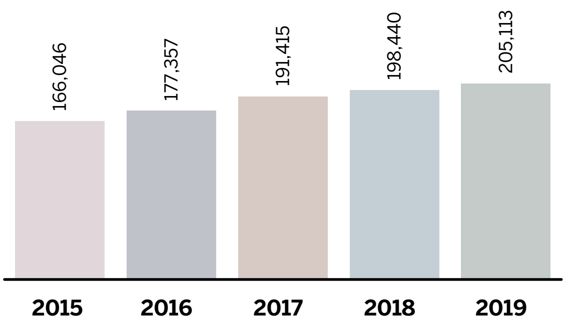
Capital adequacy ratio

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



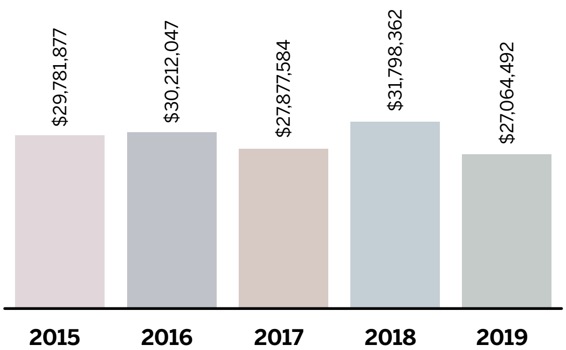
Membership

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



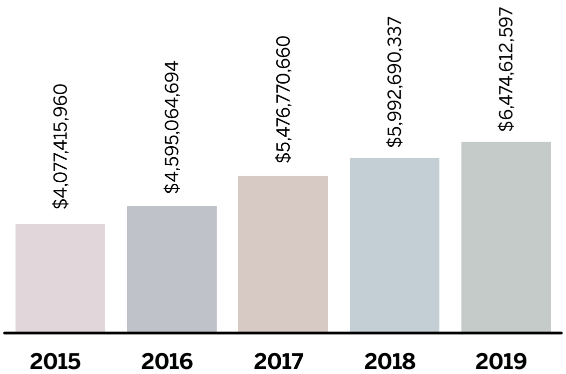
Profit after income tax

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



Loan balances

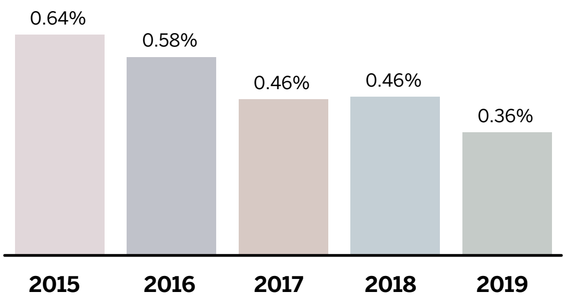
Loan balances are the total of money owed to us by our members from personal loans, secured (home) loans, credit cards and overdrafts.



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

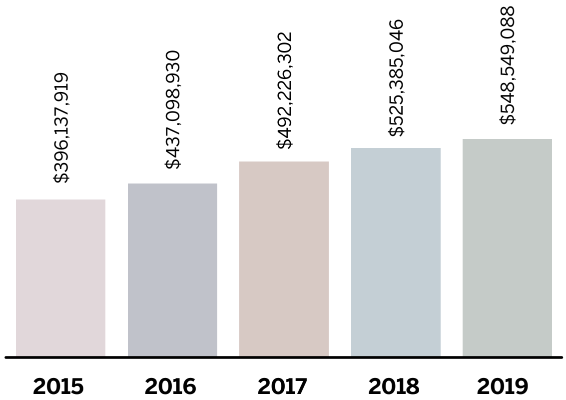
Return on assets

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



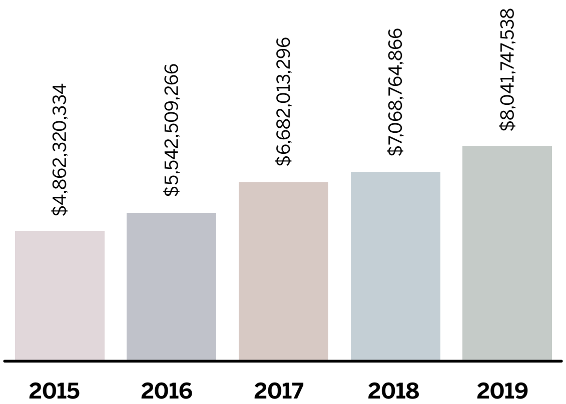
Reserves

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



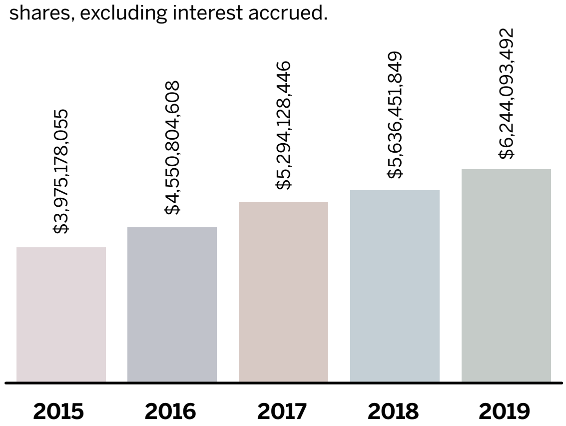
Assets

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



Member deposits

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



Chairperson and CEO's Report

In our 53rd year of operation, we have continued to build one of Australia's largest and most successful mutual banks.

The 2018–19 financial year was a time of continued success for Teachers Mutual Bank Limited, as we developed our brand offerings and our operations.

As always, we worked to secure the financial futures of our members and their families, whether they are in the education, emergency services or healthcare sectors. As at the close of this financial year we were responsible for maintaining $8 billion in assets for over 200,000 loyal members.

Our growth is attributable to the fact that members enjoy access to a wide suite of products with us. Our rates on term deposits, credit cards, and home loans have been competitive for both depositors and borrowers. Our products are supported by quick, accessible banking services including the New Payments Platform, Apple Pay, Google Pay, Samsung Pay and internet and mobile banking. However you bank with us, you, our members are able to do so on your terms.

This year we have also expanded our offering to members in the healthcare sector. Health Professionals Bank was launched in February 2019 to provide our hardworking healthcare professionals with a bank that is exclusively for them. This exciting new brand joins our established entities within the Teachers Mutual Bank Limited group: the original Teachers Mutual Bank, UniBank and Firefighters Mutual Bank.

Our financial position has remained strong with a net profit this year of $27.06 million. Our Board of Directors and Executive team have committed to strong prudential standards of operation, maintaining a healthy Capital Adequacy Ratio of 14.81%. We have continued to balance this with increased demand for our home loan products, which have helped us grow as a leading lender of choice for Australian key workers and their families.

Despite increased economic, fiscal, and geopolitical pressures facing the market environment more broadly, we believe the Bank is well placed to take advantage of the current market and grow our niche brand offerings.

The case for further growth in our sector has been sharpened through the passing of the Treasury Laws Amendment (Mutual Reforms) Act 2019 by the Federal Parliament. This pioneering legislation has introduced a positive legal definition of a mutual entity within Australian corporate law. Furthermore, it will allow new ways for mutual banks to raise capital whilst retaining our cherished 'one share, one member' model of mutual banking.

We believe that these reforms will both provide Teachers Mutual Bank Limited with a means to expand our operations, and healthily increase competition within the Australian banking sector. We congratulate the Australian Government, Federal Parliament, and financial regulators on this historic legislation.

This year will also see us move to update our Common Bond. We have grown to serve the financial needs of more groups of key workers within the Australian economy. Now we need to broaden our Common Bond to formally recognise them. Updating our Common Bond makes it reflective of the business we have evolved into and makes us inclusive of more Australians while simplifying the Common Bond for all. You, our members, have the power to effect that change through your vote at this year's Annual General Meeting.

Social responsibility has always been a cornerstone of our philosophy as a business. This year we worked with the Responsible Investment Association Australasia (RIAA) to certify new mortgage and retail deposit products as socially responsible. This means members' money will never fund harmful operations, including those involved in environmental degradation, fossil fuel pollution, gambling, and tobacco amongst other activities.

Furthermore, this certification means that every member deposit and saving account

"We are proud to remain a leader in the field of responsible investment."

since December 2018 is a certified responsible investment. We are the largest bank in Australia to have achieved this RIAA certification and are proud to remain a leader in the field of responsible investment.

Such achievements would not be possible without our diligent Board of Directors and Management team, who are committed to making Teachers Mutual Bank Limited a bank that demonstrates member value in our sector. They are supported by the expertise of our broader staff, to whom our thanks go for building strong outcomes for the Bank and its members this year.

Their collective effort has ensured that in our 53rd year of operation we continued to deliver exceptional banking services for members of all of our Teachers Mutual Bank Limited brands: Firefighters Mutual Bank, Health Professionals Bank, Teachers Mutual Bank, and UniBank.

Finally, we want to thank our members who are the first and final consideration in our business. We thank them for their ongoing dedication, support and belief as we seek to build the Bank to serve our shared community. Our members come from some of the most community-orientated sectors in our society: we look forward to the new financial year and to putting them first in all we do.

John Kouimanos
Chairperson

Steve James
Chief Executive Officer

Taking great care of our members

Our members are essential to the education, safety and wellbeing of all Australians – and we believe they deserve a banking service that takes as much care of them as they take of all of us. That's why we're proud to provide socially responsible financial services and outstanding customer care to help our members to build and safeguard their financial futures.

We're now proudly serving Australia's health professionals

It was with great pleasure that we welcomed a new key worker community into Teachers Mutual Bank Limited in 2019, with the launch of Health Professionals Bank.

Health Professionals Bank is a unique bank exclusively for Australia's health professionals, dedicated to helping current or retired employees of the Australian health sector, and their families, achieve their financial goals.

Health Professionals Bank members can access our full range of essential products and services — including transaction accounts, credit cards, personal loans, and home loans at competitive interest rates — at any of our branches across Australia.

Members seeking a socially responsible bank have the reassurance that their investments are being managed ethically and responsibly. When members deposit funds at our bank, we don't lend these funds to harmful industries such as alcohol and tobacco and the money that we lend members for a mortgage does not come from socially or environmentally damaging industries.

We're focused on our members

Outstanding member service is at the heart of all our brands. Our aim is to provide high-quality service at all times, wherever and however our members choose to use our services.

By putting them first in all we do, and keeping their finances secure, we have ensured our members continue to be extremely satisfied with our service. In the latest independent research from GALKAL, we once again received high satisfaction ratings from 92% of Firefighters Mutual Bank members, 92% of Teachers Mutual Bank members, and 85% of UniBank members.

We know our members value the skilled and efficient service provided by our friendly, helpful staff, and we remain dedicated to providing exceptional service to all our members, including our new Health Professionals Bank members (who were not included in this year's GALKAL survey[1]).

We're opening more branches nationwide

With more members joining our Bank all the time, we need more skilled, dedicated employees, in more locations around Australia, to provide the excellent customer-focused care our members expect and deserve.

This year we have increased our Australian workforce to more than 550 people, including branch service teams, business relationship staff and mobile bankers.

In February 2019, we opened a new branch in Melbourne's busy Docklands area to provide convenient access and personal service to members of all our brands. With the Brisbane and West Perth branches we opened last year, we now have 11 full-service branches in major cities and on university campuses across Australia.

We're providing award-winning value

In addition to banking options that work for members, we continue to provide award-winning products that satisfy our members' needs.

This year, our credit cards were recognised as a leading no annual fee credit card option by the Mozo Experts Choice Award[2].

We're proud to continue to offer value to our members across our full suite of banking products.

Services to you

To ensure that members outside larger metropolitan areas have access to face-to-face service our business relationship staff regularly travel to regional centres.

“It was with great pleasure that we welcomed a new key worker community into Teachers Mutual Bank Limited in 2019, with the launch of Health Professionals Bank.”

We’re a Bank that meets you where you are

Of course, many of our members live outside metropolitan areas, so we continue to bring our services to them, when and where they need us. Our mobile bankers visit members at home or in their workplace, while our business relationship staff regularly travel to regional centres across the country, providing personalised customer care and convenient access to our full range of products and services.

It’s important to our staff and to our members and prospective members that they have the opportunity to meet face-to-face, so teams from each of our brands continue to host regular events and visit communities across the country. This year, Teachers Mutual Bank made 2,216 site visits, hosted 376 industry events, and conducted 1,637 home loan appointments. Firefighters Mutual Bank visited Fire and Rescue Stations across NSW, WA and ACT regions.

In the past year we also provided services via a number of mobile offices, business centres and kiosks in convenient locations across the country, giving members and prospective members across all our brands greater access to support and services, regardless of their location.

We’re making digital banking fast, easy, and secure

Over the past few years we’ve embraced new technology and introduced a suite of fast, secure and convenient digital banking services, making it easier than ever for our busy members to buy goods or services, pay bills, and manage their finances. All our members — including our new Health Professionals Bank members — can access mobile payment platforms such as Google Pay, Apple Pay, and Samsung Pay, monitor and administer their accounts online or via our mobile apps, and send instant payments 24/7 through Australia’s new payments platform, Osko by BPAY. Now, to increase security and reduce our environmental impact, we’re encouraging members of all our brands to receive electronic statements in place of paper.

[1] *As measured by the 2019 Member Satisfaction Survey conducted by GALKAL.*
[2] *2018 Mozo Experts Choice Award, ‘No Annual Fee’ Credit Card, https://mozo.com.au/expertschoice/best-credit-cards*

Results on our targets

We put social responsibility at the forefront of our business, and integrate it throughout our operations, systems and relationships. Teachers Mutual Bank Limited reports on environmental, social and governance performance annually, including the following 13 member-focused targets.

Members

Achieve member satisfaction ratings at or above 90%	Member satisfaction rate is 92% for Teachers Mutual Bank, 85% for UniBank and 92% for Firefighters Mutual Bank.
Member retention rates 95% or higher	Our member retention rate is 97.85%, as of June 2019.
Adverse findings by external parties not to exceed 20% of disputes	There were no adverse findings by external bodies.
Reduce the number of disputes lodged with external bodies each year[1]	The number of disputes registered with the Financial Ombudsman Service (FOS) or the Australian Financial Complaints Authority (AFCA) was 36. Of these, 29 were referred back to the Bank, as we had not yet had the opportunity to finalise our internal complaints process and 7 were recorded as external disputes, which was equal to last year.
All complaints responded to within one business day[2]	We responded to 99.9% (9,254) of complaints (9,262) within one business day.
Achieve best practice for all complaints resolved within 14 days	We resolved 96.2% (8,906) of complaints within 14 days or less, with 98.0% (9,080) of complaints completed within 21 days or less.
No external loss of data that results in a major breach	There was no external loss of data that resulted in a major breach.
Host and support member engagement events	We attended and supported 395 member events.
More than 90% of members to feel that they have adequate access to banking services[3]	The figures are 97% for Teachers Mutual Bank, 93% for UniBank and 95% for Firefighters Mutual Bank.
More than 90% of members felt that they have adequate access to information and assistance[4]	The figures are 93% for Teachers Mutual Bank, 90% for UniBank and 93% for Firefighters Mutual Bank.
100% of marketing campaigns complying with responsible marketing guidelines	100% of marketing campaigns complied with responsible marketing guidelines.
No breaches of responsible marketing guidelines that adversely affect members and customers and result in adverse media or sanctions	There were no breaches of responsible marketing guidelines that adversely affect members and customers and result in adverse media or sanctions.
Assist members in financial difficulty through the Credit Assistance service	110 members were assisted through the Credit Assistance service.

[1] As of 01 November 2018, the AFCA is the dispute resolution scheme for financial services and FOS no longer accepts disputes.
[2] As per last year's note, we now include chargebacks in the complaints data. The timeframe for completing these is 30 days as they require co-ordination with merchants. This year there were 342 additional complaints that were registered as chargebacks. These are included in the figures. As the chargebacks are handled within different timeframes, we make the assumption that these have been handled within one business day as they are addressed in the initial conversation (meeting the requirement).
[3] As measured by the 2019 Member Satisfaction Survey conducted by GALKAL, 97% of members rated access to any of Teachers Mutual Bank's services as 'very accessible' or 'quite accessible'.
[4] As measured by the 2019 Member Satisfaction Survey conducted by GALKAL, 93% of members 'somewhat agreed' or 'strongly agreed' that they had adequate access to information and assistance on any of the Teachers Mutual Bank services.

"We are really proud that 97% of Teachers Mutual Bank members, 93% of UniBank members, and 95% of Firefighters Mutual Bank members feel that they have adequate access to banking services."

Using banking as a force for good

Our members contribute much to our society, and they deserve a bank that has an equally committed social impact. We have strong, clear values, and we act on them across our business, ensuring all our business practices are sustainable and socially responsible. Year after year we have proved that strong financial growth and socially responsible operations go hand-in-hand.

We are proud to count ourselves among the leaders of our industry in setting standards for fairness, trust and transparency, and in supporting economic, social and environmental sustainability. We go far beyond the requirements of regulation, continually improving on our performance and demonstrating our commitment every day by always acting for the benefit of our members, our society, and our planet. We benchmark ourselves against world-leading ethical standards, and believe that our community should expect high standards of all banks.

We're leading the way in values-based banking

Since 2017, the Bank has been a dedicated member of the Global Alliance for Banking on Values (GABV), a network of banking organisations from around the world which is deeply committed to creating positive change in communities and society as a whole.

GABV members come from a global network of community-focused financial institutions. Together, the members of this global network have been working to implement a new, value-based banking model that fosters global financial inclusion, using environmentally and socially responsible practices to meet the needs of their members and customers.

We invest responsibly and ethically

As one of Australia's largest mutual banks, we understand that when money is invested responsibly, it can make a significant difference to the world. We make sure environmental, social and governance (ESG) considerations are embedded in our lending and investment practices, and we apply strict social responsibility criteria when it comes to investing and lending our members' money. That means that we will not invest in sectors that harm our society or our world — including alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, fossil fuels, gambling, military activities, political activities, pornography, slavery, tobacco, or uranium. We apply these distinctive, socially responsible strategies, standards, and practices to all our products — primarily mortgages and deposits.

When our members deposit funds with us, they can be assured that every dollar will be invested ethically, according to these social responsibility exclusion criteria, providing them with the peace of mind of banking with an institution that is totally committed to socially responsible conduct.

We're delivering socially responsible products

Since December 2018, all the mortgage and retail deposit products we offer, across all our brands, have been certified as responsible investments by the Responsible Investment Association Australasia (RIAA). Retail mortgages and deposits have been certified by the RIAA according to strict operational and disclosure practices required under the Responsible Investment Certification Program.

This makes us one of the first Australian banks to certify our retail deposits, mortgages and wholesale funding, confirming our commitment to responsible investment, and providing certainty to our members that we've reached leading standards of disclosure and performance.[1]

This year our RIAA Certified Ethical Wholesale

Responsible banking

For banks, investment and lending practices have a far greater impact on our environment than their corporate footprint, so we also follow strictly sustainable investment policies.

"When our members deposit funds with us, they can be assured that every dollar will be invested ethically, according to our social responsibility exclusion criteria..."

Debt Investment Program doubled to $1 billion. Teachers Mutual Bank Limited is the only bank in Australia to have its entire wholesale debt issuance program certified.

We're one of the World's Most Ethical Companies — again

Our dedication to running an ethical and sustainable institution has been recognised once again this year, with Teachers Mutual Bank being named one of the World's Most Ethical Companies for the sixth year running. The citation was given by Ethisphere Institute[2], a global leader in defining and advancing the standards of ethical business practice.

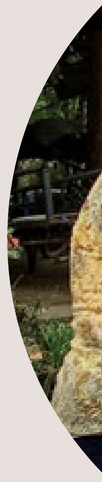
We earned our place on the 128-strong list through our transparency, integrity, compliance and proven commitment to prioritising socially responsible business practices. Teachers Mutual Bank Limited was the only Australian company to be included in the list, and one of just five banks globally. This honour recognises superior achievements in transparency, integrity, ethics and compliance, and underscores an honouree's commitment to leading with integrity and prioritising ethical business practices.

[1] TMBL's $1billion Debt Issuance Program and retail and mortgage deposits have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.

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

Results on our targets

We put social responsibility at the forefront of our business, and integrate it throughout our operations, systems, and relationships. We report on environmental, social, and governance performance annually, including the following 10 social responsibility-focused targets.



Sustainability

Strive for international leadership in sustainable business practices[1]	For the sixth year in a row, the Bank was recognised as one of the 'World's Most Ethical Companies' by the global body, The Ethisphere Institute. The Bank was one of only five banks globally to receive this citation and is the only Australian company on the list. The citation covers three brands; Teachers Mutual Bank, UniBank and Firefighters Mutual Bank. We are a member of the Global Alliance for Banking on Values (GABV) and we adhere to and support the GABV principles of values-based banking. In 2019 we established the Values-Based Leadership Program 2019 for 10 of our leaders in partnership with Bank Australia, based on the international GABV Leadership Academy – a cooperation between the GABV, MIT/ Boston and Presencing Institute. We support the UN Sustainable Finance Roadmap for Australia and we were the only mutual bank to speak at the 2018 United Nations Environment Program Finance Initiative (UNEP FI) Conference in Sydney, backed by 300 finance sector organisations with $10 trillion in assets.
Board meetings have Corporate Social Responsibility (CSR) as a standing agenda item	Twelve Board meetings were held, with CSR as a standing agenda item. The Board also has an annual CSR Strategy presentation and discussion.
CSR Policy and CSR Committee Charter is reviewed and updated annually by the Board	The CSR Policy 2220 and the CSR Committee Charter were updated and approved by the Board in 2019. The CSR Policy 2220 establishes our approach to ethical business and social responsibility practices and how we deliver on our responsibilities and commitments across 200+ actions.
Environmental, Social and Governance (ESG) issues embedded in our lending and investment practices	We set ethical exclusion criteria in our Lending Risk Policy and Treasury Credit Risk Management Policy. 'Various lending opportunities are disqualified from TMBL's lending origination business. Such exclusions are where the primary purpose of the entity or business is: alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, gambling, military activities, political activities, pornography, slavery, tobacco or uranium. Fossil fuel and climate change exclusions: various lending opportunities are disqualified from TMBL's lending origination business. Such exclusions are where: the purpose would be to finance large scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use; or the purpose would be to directly lend to, buy equity or debt in any large-scale greenhouse polluting activities from fossil fuel exploration, extraction, production and use.
Maintain RIAA certification as an Ethical Bank[2]	The Bank doubled its Certified Ethical Investment Debt Issuance Program (DIP) for wholesale investors by the Responsible Investment Association Australasia (RIAA) from $500 million to $1 billion, and expanded the ethical exclusion criteria from 1 to 14 categories. It was the first Certified Ethical investment wholesale cash product in Australia, and remains the only one to date. We also achieved Responsible Investment Certification for all new retail mortgage and deposit products sold by the Bank. As of June 30, total Certified Responsible and Ethical Investment at the Bank on the balance sheet is $764 million. Certification applies to all four bank brands.
Implement a national Stakeholder Strategy utilising our Stakeholder Engagement Standard	Throughout the year we continued our strategy of engagement with key stakeholders in Education, Universities Health Care and Emergency Services deepening our relationships with key worker communities nationally.

Mandate and embed sustainability in our supply chain Vendor Management Framework (VFM)	All material, strategic and major suppliers are required to complete a comprehensive CSR Survey, which is included as part of their contract. CSR is one of the six standard vendor governance health checks, and operates as a traffic light system. The vendor governance process focuses on the top 100 vendors that represent 90% of our total vendor spend.
Public disclosure of our investment policy on climate change/fossil fuels	We don't lend members' money to the fossil fuel industry. Our position is published on our website and across various member communications. The Bank has zero direct investment in any large-scale greenhouse polluting activity or company. The Bank does not use members' funds to finance large-scale greenhouse-gas pollution. The Bank does not use members' deposits to directly lend to, or buy equity or debt in, any large-scale greenhouse polluting activities from fossil fuel exploration, extraction, production and use.
Increase the purchase of more sustainable products and services	15% of our office supplies from Winc is from their Earth Saver category.
Roll out mandatory sustainability training for all employees	A CSR training module is rolled out to all staff every 24 months.
All staff at Grade 6 and above have sustainability KPIs	These key performance indicators form part of all Manager and Grade 6 Performance review documents.
Promote a zero tolerance culture for corruption and fraud	Our Financial Crimes Control Policy defines the Bank's fraud control principles, mandatory requirements and accountabilities. It clearly expresses that our Bank does not tolerate fraud and corruption and is committed to promoting and maintaining a sound ethical culture. No incidents of corruption or internal fraud were identified. We are working to ensure that our members, employees, temporary staff, contractors and service providers know the risks of online fraud and scams and how to avoid harm; also, that they are aware of their responsibilities and obligations with respect to the prevention, detection and reporting of fraud and corruption. The Bank conducts continual education campaigns throughout the year to educate its staff and members in fraud prevention, partnering with government departments in cyber security, Scamwatch and privacy awareness campaigns, having dedicated Security pages on all our websites.

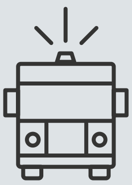
[1] *The Ethisphere Institute is a global leader in defining and advancing the standards of ethical business practice. The World's Most Ethical Company assessment is based upon the Ethisphere Institute's Ethics Quotient (EQ) framework and honours superior achievements in transparency, integrity, ethics and compliance More information at: http://ethisphere.com.*
[2] *TMBL's $1billion Debt Issuance Program and retail and mortgage deposits have been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.*

Creating value for our communities

As a values-based bank we're constantly seeking opportunities to create positive social change by supporting our members and the communities they live in.

We're promoting diversity in emergency services

Firefighters Mutual Bank was the major sponsor for Australia's first ever Girls' Fire & Emergency Services Camp in December 2018. The camp was hosted by Girls On Fire, a non-profit organisation dedicated to increasing gender diversity within our emergency services. Twenty girls aged 15 to 17 took part in the camp, learning exciting firefighting and emergency services skills to demonstrate the option of a career in the fire and emergency services. They also took part in a range of fun activities designed to boost their confidence and resilience, and to encourage problem-solving, teamwork, and leadership.



Girls On Fire

Twenty girls aged 15 to 17 took part in Australia's first ever Girls' Fire & Emergency Services Camp in December 2018, learning exciting firefighting and emergency services skills.

We're encouraging women to pursue STEM careers

UniBank is playing an important part in attracting more women to STEM-based careers. In April 2019, UniBank proudly supported the Pathways to Equity in STEM symposium, which brought together leaders from across the STEM community to collaborate on strategies for encouraging gender diversity over the next 10 years. UniBank will continue to collaborate with the Australian Academy of Science in initiatives to attract women and girls to STEM, and to provide an environment in which they can thrive and progress.

> **"UniBank is playing an important part in attracting more women to STEM-based careers."**

We're bringing the healthcare community together

Health Professionals Bank was the main sponsor of Australian Healthcare Week following our new bank brand's successful February launch. This annual event is the largest healthcare conference in Australia, offering development opportunities to professionals from a wide range of healthcare disciplines. Over the course of the week, more than 5,000 healthcare professionals came together to connect, network and explore the future of Australia's healthcare system.

Health Professionals Bank is committed to forming cooperative partnerships with key organisations in the health sector, such as the Australian Primary Health Care Nurses Association, the Australian College of Nurses and the NSW Nurses and Midwives Association.

We're championing inspiring teachers

In May 2019, Teachers Mutual Bank joined the NSW Department of Education in a collaborative partnership that launched an exciting new competition for public high school teachers across NSW. *The Learning Edge* was a search for five teachers who are inspiring the next generation with their passion and innovative teaching techniques. Teachers were invited to submit a three-minute video showcasing the methods they use to light the spark of passion for their subjects. The final five chosen recipients each received a $2,000 hardware or software package and an exclusive mentoring workshop from YouTube to help them further develop their digital skills.

We're supporting young researchers on their academic journeys

UniBank expanded our sponsorship of the Three Minute Thesis (3MT) competition. This competition, which helps promising young researchers cultivate their academic, presentation, and research communication skills, was founded by the University of Queensland in 2008. It is now a hotly contested annual event at more than 600

“The Learning Edge was a search for five teachers who are inspiring the next generation with their passion and innovative teaching techniques.”

Eddie Woo (centre) with recipients of Learning Edge: Jonathan Kim Sing, Nayomi Gribble, Sam Coburn, Holly Millican and Emily McLachlan.

universities in 65 countries. UniBank supports the 3MT competition with financial assistance for emerging academic researchers.

We’re backing leading educators

Teachers Mutual Bank, in association with the Public Education Foundation, provided vital scholarship support to leading educators to further their professional development. Teachers Mutual Bank supports two scholarships each year: the Principals Scholarship and the Emerging Leaders Scholarship. Recipients travel to America and undertake a professional education program tailor-made for school principals at Harvard Graduate School of Education. The Emerging Leaders scholarship is delivered by the Harvard Kennedy School, which offers emerging leaders a deep dive into the study of public policy, administration and leadership. The scholarship program reflects our commitment to supporting excellence in public education across Australia and we remain dedicated to our ongoing partnership with the Public Education Foundation.

We’re fostering student athletes

UniBank has increased its commitment to the UniSport Nationals for a further three years, until 2021. Every year, the Nationals bring together around 8,000 student athletes from 42 universities to compete in different sports. These events celebrate the best of university sport in Australia, giving students the opportunity to learn valuable leadership, teamwork and collaboration skills. Our commitment to supporting university sport is underpinned by recent research by British Universities & College Sport, which found that participating in sport has numerous benefits for students — not just improving their health and wellbeing, but making them more employable, and increasing their earning potential.

We’re investing more than ever in our community

Our continued aim is to be a bank that invests back into our community for social impact. This year we have given financial support and assistance for programs as diverse as our Future Teachers Scholarships for aspiring educators, and our international partnership with Cufa, aimed at financially empowering under-developed communities in Cambodia. We’re proud to have invested more than $1.8 million in our community initiatives this financial year.

Results on our targets

We put social responsibility at the forefront of our business, and integrate it throughout our operations, systems and relationships. Teachers Mutual Bank Limited reports on environmental, social and governance performance annually, including the following nine community-focused targets.

Community

Invest a minimum of 3% of net profits after tax (NPAT) in the community	In 2019 we revised the framework that we use to measure direct community investment from Net Profits After Tax (NPAT). In 2019 we directly invested $1,847,189 in the community, representing 6.6% of Net Profits after Tax.
Manage partnerships with State Education Departments	We continued to focus on relationships with national partners representative of both public and private education, in line with our broader footprint. We also strived to incorporate support for meaningful programs within our partnership agreements that deliver on individuals' wellbeing and personal development.
Broaden collaboration and develop new partnerships in the Non-Government education sector	Our work continued in private education with support for key initiatives in Parramatta and Wollongong Dioceses aimed at career development, personal development and student education.
Support the professional development of teachers, office and support staff at conferences, events and leadership development courses	We sponsored 105 conferences and events across Australia.
Develop and implement a national sponsorship strategy and review current sponsorship guidelines	The national sponsorship strategy continues to align the Bank's business objectives with supporting the professional development of employees within the education (secondary and tertiary), health and emergency services sector. The national approach means that the Bank continues to deliver value to our members and provide greater community impact into the sectors where they are employed.
Support NSW school children in need through Platinum Sponsorship of Stewart House	Stewart House remains a key investment in the NSW education community as they assist over 1,800 children who are in need of respite from their usual circumstances. The Bank's staff fundraise and conduct volunteer days for Stewart House.
Assist poverty alleviation in Asia Pacific through Platinum Sponsorship of Cufa	We continue to support the Children's Financial Literacy Project in Cambodia.
Support Queensland teachers and students through the sponsorship of the Queensland Life Education program for drug and health education	The Bank continued its support to assist in the delivery of school-based health and drug education programs throughout Queensland schools.
Introduce an Indigenous scholarship	The Premier's Teachers Mutual Bank Aboriginal Education Scholarship, worth $15,000 aims to assist in embedding indigenous education into the NSW curriculum and develop the skills of educators teaching in indigenous education.

Nurturing our employees

We've always known that to provide exceptional service to our members we need the people who work with us to feel valued, supported, and recognised for their unique contribution.

We strive to create a collaborative and nurturing culture, where diversity is embraced, community engagement is encouraged, and every employee has the opportunity, flexibility and ongoing support they need to pursue their goals and reach their full potential.

We're dedicated to equality

We've identified our commitment to equality as an organisational priority. We are proud to have been noted again as a leader in this regard, having received the *Employer of Choice for Gender Equality* citation from the Workplace Gender Equality Agency for the fourth year running[1].

This year we passed another important milestone on our path to full gender equity, with 45% female representation within our management team. To bring us even closer to the goals of our Gender Diversity Strategy, we established a Gender Diversity Committee to support gender equality initiatives across all our brands, including the development of a new communications campaign to promote the work of Teachers Mutual Bank Limited's female employees.

We support balanced lives

We recognise and value the contribution of every one of our employees, and we remain committed to offering flexible working arrangements that promote healthy work–life balance. This year we increased paid parental leave entitlements and alongside our award-winning career development program[2] we continue to offer generous study leave packages to help our employees expand their skills and pursue their personal goals.

"This year we increased parental leave entitlements, and alongside our award-winning career development program we continue to offer generous study leave packages to help our employees expand their skills..."

We invest in our people

We continually invest in the development of our employees — including those who are just beginning their careers. Each year we offer five traineeships to school leavers. Over a period of 24 months, trainees get the opportunity to work in different areas across our business, learning valuable skills that set them on the path to career success.

This year's trainees are gaining vital experience within diverse fields, including Organisational Process Excellence, Digital Services, IT Services, Organisational Learning & Development, and Credit Operations.

We support important causes

We are continually inspired by the educators, protectors and healers we serve, and our teams are committed to making their own contributions to improve the lives of those around them. We actively encourage our people to volunteer their time and expertise by giving every employee two days of paid leave a year for volunteering and four days to devote to a charity of their choice. This year alone, our employees gave more than 74 staff days to charitable causes that support our community. We also organised several charity days throughout the year to raise funds for community organisations that are important to

Staff giving

This year alone, our employees gave more than 74 staff days to charitable causes that support our community.

“To bring us even closer to the goals of our Gender Diversity Strategy, we established a Gender Diversity Committee to support gender equality initiatives across all our brands, including the development of a new communications campaign to promote the work of Teachers Mutual Bank Limited’s female employees.”

our employees — including Foodbank NSW & ACT, the RSPCA, the Cancer Council, and Stewart House.

Our employees enjoy working with us

The greatest measure of our success in creating a thriving and nurturing working environment is the feedback from our employees. We are committed to maintaining our industry leadership in our levels of staff engagement (82%) and satisfaction (78%). Our employees demonstrate their engagement and satisfaction through their outstanding commitment and lasting relationships with the Bank — the average length of service for employees across Teachers Mutual Bank Limited is more than eight years.

[1] The WGEA Employer of Choice for Gender Equality (EOCGE) citation is designed to encourage, recognise and promote active commitment to achieving gender equality in Australian workplaces. www.wgea.gov.au.
[2] 2018 Best Career Development Program Award, AB+F Australian Retail Banking Awards.

Results on our targets

We put social responsibility at the forefront of our business, and integrate it throughout our operations, systems and relationships. Teachers Mutual Bank Limited reports on environmental, social and governance performance annually, including the following 18 employee-focused targets.

Employee

100% of frontline employees enrolled in/completed online complaints handling	100% of frontline employees (385) enrolled in and completed online complaints handling.
Maintain employee satisfaction rating at or above 85%	Employee satisfaction rating is 78%.
Maintain employee engagement at or above 80%	Employee engagement rate is 82%.
Achieve employee engagement rating above the national Finance Sector industry standard[1]	The industry average for employee engagement is 78%, our score is 82%.
Minimum 85% of employees recommending TMB as a good place to work	86% of employees recommend the Bank as a good place to work.
Maintain staff turnover at below industry average	Staff turnover is 13%, and the industry average is 18%.
Minimum 15% of staff engaged in studying	17.5% of employees are engaged in studying, which is 103 active enrolments.
All employees to complete annual performance reviews	All employees completed annual performance reviews.
All employees to complete annual development plans	All employees completed annual development plans.
Continue to develop and implement policies and procedures that reflect best practice in employee relations	We continue to build on existing policies as part of our commitment to best practice in employee relations. Policies include flexible working arrangements, workplace health and safety, volunteering, domestic violence, parental leave and pay equity.
Zero tolerance to discrimination, harassment and bullying	We continue to maintain a culture that is free from harassment and workplace bullying through a comprehensive education program and zero tolerance policy.
Exceed the ASX average of the percentage of females in Board, executive and management positions	We exceed the ASX average of the percentage of females in Board (44% vs. 26% ASX), Executive (29% vs. 10% ASX), and Management positions (46% vs. 38% ASX).
Be recognised as an Employer of Choice under the Workplace Gender Equality Agency (WGEA)	The Bank was awarded the Employer of Choice for Gender Equality (EOCGE) citation for 2019 by the Workplace Gender Equality Agency (WGEA). TMBL is one of 140 organisations named as a leader in workplace gender equality. The citation recognises employer commitment and best practice in promoting gender equality in Australian workplaces.
Continue to develop and implement diversity, anti-discrimination and flexible working guidelines for recruitment, training and promotion	We continued to work towards the recommendations and targets set out in our Gender Diversity Strategy. KPIs relating to flexible working practices are included in each Manager's performance assessment and a recent education piece was run on this topic.

Continue to support employee volunteer days, sponsorship and donation requests associated with charitable initiatives	One hundred staff volunteered 700 hours to the community this year, and staff donations totalled $15,844.91, raised over four charity days in support of Cufa, the Starlight Children's Foundation, St John Ambulance, and the RSPCA. Fundraising by staff in support of the Townsville Flood Appeal, totalled $1,150. The bank facilitated $6,927 to charities through Workplace Giving nominated by 88 staff. On average each staff member donated $79 to charity.
Reduce the lost time incident rate (LTIR) (in days)	LTIR has increased from 16 days to 59 days due to two long term claims.
Maintain staff satisfaction with WH&S at or above 85%	Staff satisfaction with WH&S is 88%.
Make health, safety and wellbeing an integral part of each employee's role	WHS responsibilities are contained within each individuals job description.

[1] *Small to medium sized companies.*

Protecting the environment

We share our members' commitment to acting responsibly to tackle climate change, the largest and most urgent environmental issue now faced by our global society. A bank's investment and lending practices can have a significant impact on our environment, which is why we lead with socially responsible investment policies, as well as consistent measures to minimise our environmental footprint.

We're a leader in fossil fuel-free banking

We have strict exclusions that prevent money being lent to the fossil fuel industry. In addition to our extensive socially responsible criteria, we apply the following environmentally-focused exclusions to all our investments:

- We make no direct investment in any large-scale greenhouse-gas polluting activity or company.
- We do not use our members' funds to finance large-scale greenhouse-gas pollution.
- We do not use our members' deposits to directly lend to, or buy equity or debt in, any large-scale greenhouse-gas polluting activities from fossil fuel exploration, extraction, production or use.
- We do not use our members' funds to invest in business involved in deforestation or gross environmental degradation.

> **"As well as taking action on climate change and fossil fuels through our investment policies, we ensure that carbon emissions from our own electricity and fuel use are offset to zero."**

We have net zero buildings

As well as taking action on climate change and fossil fuels through our investment policies, we ensure that carbon emissions from our own electricity and fuel use are offset to zero. The Bank has now been carbon neutral for six years, and has 'net zero' buildings (buildings which generate clean energy and have net zero carbon emissions)[1].

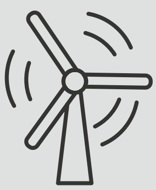
Combined with energy efficiency measures and carbon offsets, we achieve carbon neutrality by generating solar energy across five buildings owned by the Bank, two of which export solar PV electricity to the grid.

We buy carbon offsets for social impact

To be carbon neutral we offset emissions from our electricity, fuel use and air travel. We buy certified carbon offsets via the company South Pole from the Mytrah Wind Power Project, a wind farm in India that provides both clean, renewable energy and a range of benefits to local communities. The project also runs a scheme for surrounding villages that invests in improving access to education and clean water, empowering young women and reducing unemployment.

We are greening our operations

Two new initiatives are underway to make our operations even greener. We are buying two electric pool cars for staff to use across Sydney and NSW as a trial to see if a wider rollout of electric vehicles would be feasible for the Bank. From



Offset benefit

Our offsets have helped to fund the Mytrah Wind Power Project, a wind farm in India that provides both clean, renewable energy and a range of benefits to local communities.

"The Mytrah Wind Power Project runs a scheme for surrounding villages that invests in improving access to education and clean water, empowering young women and reducing unemployment."

September 2019, we are banning the purchase of water in plastic bottles across all our offices, providing the alternative of filtered water and biodegradable cups for visiting members and guests.

[1] The Bank has been certified as a Climate Conscious Company by South Pole Australia for offsetting 1,686 tonnes of greehhouse gas emissions . We buy Certified Carbon Offsets from South Pole Australia to offset our emissions from electricity, fuel use and air travel to zero. South Pole is a leading provider of global sustainability financing solutions and services. This means that Teachers Mutual Bank Limited is a carbon neutral bank, and all its members' accounts are with a carbon neutral bank. www.southpole.com

Results on our targets

We put social responsibility at the forefront of our business, and integrate it throughout our operations, systems and relationships. Teachers Mutual Bank Limited reports on environmental, social and governance performance annually, including the following 10 environment-focused targets.

Environment

Measure and report energy emissions and solar panel performance annually	Solar PV on our roofs generated 19% of total electricity consumption and saved 213 tonnes of CO^2. We generated 260,243 kWh of solar power from five buildings.
Achieve net zero emissions for all owned buildings	For all of our owned and rented buildings we are net zero — based on solar PV generated, LED lights, energy savings, and carbon offsets. We purchased carbon credits from a wind farm in India.
Mandatory installation of solar PV and LEDs for all newly owned buildings	We bought two new buildings in Melbourne and the ACT this year, but it has proven difficult under the ownership structures to install PV and we are looking for other solutions. The installation of shared solar PV at our new office in West Perth is being costed. All buildings will have LED lights installed.
All new building leases to have minimum 3.5 star on the National Australian Built Environment Rating System (NABERS)	We have leased one new building in 2019, and are working towards achieving the 3.5 star rating.
Maintain carbon neutral status so that all member accounts are with a carbon neutral bank	This is the seventh year we have been a carbon neutral bank, and so all members' accounts are with a carbon neutral bank. Our emissions from electricity, fuel use (Scope 1 and 2) and air travel (Scope 3) are 1,686 tonnes CO^2, and are offset to zero.
Review our Green Vehicle Policy	We have eliminated support for vehicles for personal use, and reduced the fleet used for business purposes from 57 to 35 cars. We are replacing the current Hybrid vehicle with two fully electric cars as a test and as part of a wider green vehicle review.
Engage and train employees on recycling	Staff at our new offices in Melbourne, Sydney, and the ACT have been trained in the single recycling system.
Reduce paper use per member	126,679 (63%) members have opted out of paper statements and registered to receive online statement notifications. Total paper consumption dropped by 20% to 48 tonnes. We recycled 33 tonnes of paper and cardboard, equal to 428 trees.
100% of paper purchased to be from a certified sustainable source	100% of the paper we purchased is from a certified source: 49% is FSC certified and 51% is PEFC certified. 52% of paper purchased is certified as carbon neutral.
Implement new water-saving initiatives	Water use per FTE dropped 16% to 6,411 litres/FTE from 7,938 litres. Most savings were made due to changes in the billing structure, as well as efficiency improvements.

"We are really proud to have photovoltaic (PV) solar panels on our roofs which have generated 19% of total electricity consumption and saved 213 tonnes of CO^2. We generated 260,243 kWh of solar power."

Social Responsibility KPIs

We report on our environmental, social and governance performance annually across 85 targets and key performance indicators for Teachers Mutual Bank Limited. This helps to demonstrate how we put sustainability at the forefront of our business, and integrate it throughout our operations, systems and relationships.

Social responsibility Key Performance Indicators

Members	**2016–2017**	**2017–2018**	**2018–2019**
Member satisfaction rating	93%	93%	92%
Member engagement events hosted	207	246	396
Formal complaints received by external bodies[1]	n/a	0	7
Members assisted through the Credit Assistance program	159	115	110

Community	**2016–2017**	**2017–2018**	**2018–2019**
Total community investment[2]	$2,412,000	$2,712,661	$1,847,189
% of profits invested in the community	5.4% (NPBT)	6.9% (NPBT)	6.6% (NPAT)
School visits	1,150	1223	2462
Conferences supported	134	209	105
Employee fundraising	$17,984	$20,801	$23,962

Employees	**2016–2017**	**2017–2018**	**2018–2019**
Percentage of females in management	37.5%	41%	46%
Employee satisfaction	78%	n/a*	78%
Employee engagement rating[3]	81%	n/a*	82%
Employee turnover rate	10.3%	9%	13%
Employees currently studying	15%	15.5%	17.5%
Study leave days granted	154	129	145
Worker compensation claims	6	4	7
Staff satisfaction with workplace health & safety (WH&S)	89%	n/a*	88%
Average lost time incident rate (in days)	28	16	59

Environment	**2016–2017**	**2017–2018**	**2018–2019**
Paper recycled (tonnes)	36.5	39	32.9
Paper use per employee (kg/FTE)	102	118	90
Waste generated per employee (kg/FTE)	81	67	46
Electricity generated by solar panels (KWh)	220,596	254,119	260,243
Emissions intensity (tCO2-e per million $ of assets)	0.17	0.16	0.16

[1] On 01 November 2018, the Australian Financial Complaints Authority (AFCA) became the dispute resolution scheme for financial services and the Financial Ombudsman Service Limited (FOS) no longer accepted disputes.
[2] In 2019 we revised the framework that we use to measure direct community investment from Net Profits After Tax (NPAT). 2018 and 2017 figures use the LBG methodology and are calculated differently.
[3] Data from Teachers Mutual Bank Limited Internal staff survey.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Directors' Report

The Board of Directors has responsibility for the overall management and strategic direction of Teachers Mutual Bank Limited. All Board members are independent, non-executive directors and the majority are elected by members (our shareholders) on rotation every three years.

John Kouimanos (Chairperson)

BA, Dip Ed

John Kouimanos commenced teaching in 1967 and retired as Head Teacher Social Sciences at Greystanes High School in February 2004. He was appointed to the Supervisory Committee of Teacher's Mutual Bank in 1973 and served until appointed as a Director in 1974. He was appointed as first Chair of the Audit Committee. Mr Kouimanos was appointed Chair of Teachers Credit Union in 2008 and the inaugural Chair of Teachers Mutual Bank in 2012. Mr Kouimanos is Chair of the Board Remuneration Committee and a member of the Large Exposures Committee.

Linda Green (Deputy Chairperson)

Dip Teach, B Ed (Primary Education), GAICD

Linda Green commenced teaching in 1979 and is currently Principal of Robert Townson Public School. She served as a member of the Supervisory Committee for two years, was elected to the Board in 1997, and as Deputy Chairperson in 2009. Mrs Green is Chairperson of the Marketing and Member Relations Strategy Committee, a member of the Development and Education Committee, and Board Remuneration Committee.

Tyrone Carlin (Director)

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

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

All Board members are independent, non-executive Directors and the majority are elected by members (our shareholders) on rotation every three years. We have three Board-appointed Directors. The 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.

Michael O'Neill (Director)

BEc, BEd, Grad Dip Acct, FFTA, GAICD

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

Maree O'Halloran AM (Director)

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

Maree O'Halloran is currently a Senior Associate at NEW Law Pty Ltd where her clients include teachers and nurses. Prior to her appointment with NEW Law in April 2015, Ms O'Halloran was the Director (i.e., CEO) of the Welfare Rights Centre for seven years where she also practised as a solicitor. The Welfare Rights Centre provides free legal services to some of the most disadvantaged people in the community. Ms O'Halloran has also worked as a teacher in public schools and TAFE. She has served as President of the NSW Teachers Federation, a Director of Teachers Federation Health and SAS Trustee Corporation, and as a member of the NSW Public Service Commission. She is currently a member of the NSW Rhodes Scholarship Selection Committee. Ms O'Halloran is a member of the Audit Committee, the Marketing and Member Relations Strategy Committee and the Risk & Compliance Committee. 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.

Jennifer Leete (Director)

BA, Dip Ed, GAICD

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

Graeme Lockwood (Director)

Dip Teach, Grad Dip C.Ed, GAICD

Graeme Lockwood commenced teaching in 1974 and retired as Head Teacher (Administration) at Normanhurst Boys High School in 2012. At Teachers Mutual Bank, he served on the Supervisory Committee and Members Committee for many years and was elected to the Board in 2004. Mr Lockwood served as a member of the Audit Committee, the Development and Education Committee and the Large Exposures Committee. Mr Lockwood also served as Chairman of Q.T. Travel Pty Ltd and Tertiary Travel Service Pty Ltd. Mr Lockwood resigned as a director of Teachers Mutual Bank Limited, Q.T. Travel Pty Ltd and Tertiary Travel Service Pty Ltd effective 30 June 2019.

Michelene Collopy (Director)

B Ec, CA (FPS), FAICD

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

Emeritus Professor William Ford (Director)

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

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

Company secretaries

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

Steve James (Chief Executive Officer)

MBA, Dip AICD, Adv Acc Cert, GAICD

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

Brad Hedgman (Deputy Chief Executive)

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

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

Directors' benefits

No director received, or became entitled to receive, during or since the financial year, a benefit because of a contract made by the Parent, controlled entity, or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

Indemnifying officers or auditors

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

Directors' board meetings

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

Attended by:	A	B
John Kouimanos	14	14
Linda Green	14	14
Tyrone Carlin	14	14
Michelene Collopy	13	14
William Ford	14	14
Jennifer Leete	14	14
Graeme Lockwood	14	14
Maree O'Halloran	14	14
Michael O'Neill	14	14
Total meetings	**14**	**14**

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

Directors' committee meetings

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

	Audit		Board Remuneration		Board Reporting		Development/ Education		Large Exposures		Marketing*		Nominations		Risk/ Compliance	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John Kouimanos			2	2					2	2						
Linda Green			2	2			2	2			4	4				
Tyrone Carlin	4	4							2	2	3	4			4	4
Michelene Collopy	4	4	2	2	1	2									4	4
William Ford			2	2												
Jennifer Leete							2	2			4	4	1	1		
Graeme Lockwood	4	4					2	2	2	2						
Maree O'Halloran	4	4									4	4			4	4
Michael O'Neill					2	2			2	2			1	1	4	4
Total meetings		**4**		**2**		**2**		**2**		**2**		**4**		**1**		**4**

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

Financial performance disclosures

Principal activities

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

Operating results

The net profit of the consolidated Group for the year after providing for income tax was $27.1 million (2018: $31.7 million).

Dividends

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

Review of operations

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

Significant changes in state of affairs

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

Events occurring after balance date

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

Likely developments and results

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

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

in the financial years subsequent to this financial year.

Auditor's independence

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

Rounding

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

Prudential Disclosures

Prudential disclosures made in accordance with APS330 Public Disclosure can be located under reports and disclosures on the banks website at https://www.tmbank.com.au/about/reports-and-corporate.

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

Signed on behalf of the Board of Directors by:

John Kouimanos	Tyrone Carlin
Chairperson	*Director, member of the Audit Committee*

Signed and dated this 26 August 2019.

Auditor's Declaration of Independence

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 23 August 2019

Financial Statements

Notes to the Financial Statements

TEACHERS MUTUAL BANK LIMITED
Telephone: 13 12 21 | **Fax:** (02) 9704 8205
Email: enquiry@tmbank.com.au | **Address:** 28-38 Powell Street Homebush NSW 2140 | **PO Box:** PO Box 7501 Silverwater NSW 2128 | **ABN:** 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981 | **Auditors:** Grant Thornton Audit Pty Ltd, Level 17, 383 Kent Street Sydney NSW 2000

Statement of comprehensive income

For the year ended 30 June 2019

	Note(s)	2019 $'000		2018 $'000	
		Consolidated	Parent	Consolidated	Parent
Interest revenue	2a	295,658	295,658	272,567	272,568
Interest expense	2c	(143,431)	(143,435)	(126,177)	(126,182)
Net interest revenue		**152,227**	**152,223**	**146,390**	**146,386**
Fees, commission and other income	2b	34,086	22,938	34,497	22,677
Total revenue		**186,313**	**175,161**	**180,887**	**169,063**
Less: Non-interest expenses					
- Impairment losses on loans and advances	2d	(1,854)	(1,854)	(2,697)	(2,697)
General administration	2e				
- Employees compensation and benefits		(73,971)	(73,118)	(65,684)	(64,625)
- Depreciation and amortisation		(9,153)	(9,153)	(7,286)	(7,284)
- Auditors Remuneration		(212)	(207)	(190)	(177)
- Transaction expenses		(13,772)	(13,772)	(13,056)	(13,056)
- Information technology		(13,882)	(13,855)	(12,486)	(12,454)
- Office occupancy		(3,604)	(3,604)	(3,914)	(3,914)
- Research, marketing, sponsorship and events		(6,508)	(6,499)	(6,593)	(6,595)
- Professional fees		(2,135)	(2,135)	(1,537)	(1,537)
- Travel cost of sales		(10,149)	-	(10,770)	-
- Other administration		(12,428)	(12,315)	(11,544)	(11,513)
Total general administration		**(145,814)**	**(134,658)**	**(133,060)**	**(121,155)**
Total non-interest expenses		**(147,668)**	**(136,512)**	**(135,757)**	**(123,852)**
Profit before income tax		**38,645**	**38,649**	**45,130**	**45,211**
Income tax expense	3	(11,584)	(11,585)	(13,388)	(13,412)
Profit after income tax		**27,061**	**27,064**	**31,742**	**31,799**
Other comprehensive income					
Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	22	(1,945)	(1,945)	1,360	1,360
Total comprehensive income		**25,116**	**25,119**	**33,102**	**33,159**

Statement of changes in member equity

For the year ended 30 June 2019

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
CONSOLIDATED					
Balance as at 1 July 2017	698	13,007	(1,062)	480,319	492,962
Total comprehensive income for the year – as reported	-	-	1,360	31,742	33,102
Subtotal	698	13,007	298	512,061	526,064
Transfers to (from) reserves	48	761	-	(809)	-
Total at 30 June 2018	**746**	**13,768**	**298**	**511,252**	**526,064**
CONSOLIDATED					
Balance as at 1 July 2018	746	13,768	298	511,252	526,064
Changes on initial adoption of AASB 9 and AASB 15 (Note 1c and 1f)	-	-	-	(1,955)	(1,955)
Restated balance as at 1 July 2018	746	13,768	298	509,297	524,109
Total comprehensive income for the year – as reported	-	-	(1,945)	27,061	25,116
Subtotal	746	13,768	(1,647)	536,358	549,225
Transfers to (from) reserves	50	778	-	(828)	-
Total at 30 June 2019	**796**	**14,546**	**(1,647)**	**535,530**	**549,225**

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
PARENT					
Balance as at 1 July 2017	698	13,007	(1,062)	479,583	492,226
Total comprehensive income for the year – as reported	-	-	1,360	31,799	33,159
Subtotal	698	13,007	298	511,382	525,385
Transfers to (from) reserves	48	761	-	(809)	-
Total at 30 June 2018	**746**	**13,768**	**298**	**510,573**	**525,385**
PARENT					
Balance as at 1 July 2018	746	13,768	298	510,573	525,385
Changes on initial adoption of AASB 9 and AASB 15 (Note 1c and 1f)	-	-	-	(1,955)	(1,955)
Restated balance as at 1 July 2018	746	13,768	298	508,618	523,430
Total comprehensive income for the year – as reported	-	-	(1,945)	27,064	25,119
Subtotal	746	13,768	(1,647)	535,682	548,549
Transfers to (from) reserves	50	778	-	(828)	-
Total at 30 June 2019	**796**	**14,546**	**(1,647)**	**534,854**	**548,549**

Statement of financial position

For the year ended 30 June 2019

	Note(s)	2019 $'000		2018 $'000	
		Consolidated	Parent	Consolidated	Parent
ASSETS					
Cash on hand and deposits at call		221,719	221,719	70,884	70,884
Receivables from financial institutions	4	1,251,759	1,251,759	933,510	933,510
Derivative assets held for hedging purposes	5	552	552	818	818
Receivables	6	8,770	8,408	5,450	5,080
Prepayments		4,685	4,685	4,018	4,018
Loans and advances to members	7 & 8	6,499,730	6,499,730	5,997,831	5,997,831
Assets at fair value through other comprehensive income	9	5,145	5,145	-	-
Available for sale investments	9	-	-	5,145	5,145
Investments in controlled entities	10	-	147	-	147
Property, plant and equipment	11	35,819	35,819	36,869	36,868
Taxation assets	12	9,709	9,665	9,140	9,013
Intangible assets	13	4,119	4,119	5,451	5,451
Total assets		**8,042,007**	**8,041,748**	**7,069,116**	**7,068,765**
LIABILITIES					
Borrowings		-	-	-	-
Wholesale sector funding	14	834,672	834,672	670,879	670,879
Retail deposits	15	6,569,028	6,570,030	5,812,848	5,813,647
Derivative liabilities	5	2,250	2,250	519	519
Creditors accruals and settlement accounts	16	26,329	25,883	19,839	19,480
Taxation liabilities	17	1,080	1,072	1,434	1,434
Provisions	18	39,368	39,237	17,469	17,357
Subordinated debt	19	20,055	20,055	20,064	20,064
Total liabilities		**7,492,782**	**7,493,199**	**6,543,052**	**6,543,380**
Net assets		**549,225**	**548,549**	**526,064**	**525,385**
MEMBERS' EQUITY					
Capital reserve account	20	796	796	746	746
General reserve for credit losses	21	14,546	14,546	13,768	13,768
Cash flow hedge reserve	22	(1,647)	(1,647)	298	298
Retained earnings		535,530	534,854	511,252	510,573
Total members' equity		**549,225**	**548,549**	**526,064**	**525,385**

Statement of cash flows

For the year ended 30 June 2019

	Note(s)	2019 $'000		2018 $'000	
		Consolidated	Parent	Consolidated	Parent
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		294,841	294,779	273,080	273,047
Fees and commissions		16,671	16,671	18,923	18,923
Dividends received		214	214	429	429
Other non-interest income received		12,762	1,606	13,484	1,629
Interest paid on deposits		(134,867)	(134,875)	(124,030)	(124,035)
Borrowing costs		(83)	(17)	(51)	(15)
Capital Raising – subordinated debt		(951)	(951)	(622)	(622)
Expenses paid to suppliers and staff		(129,761)	(118,619)	(124,904)	(112,920)
Income tax paid		(12,525)	(12,618)	(13,310)	(13,372)
Net increase in loans and advances to members		(489,873)	(489,873)	(518,955)	(518,955)
Net increase in retail deposits		752,980	753,090	349,206	349,142
Net cash flows from / (used in) operating activities	**35b**	**309,408**	**309,407**	**(126,750)**	**(126,749)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(5,667)	(5,667)	(7,682)	(7,682)
Acquisition of intangible assets		(979)	(979)	(2,357)	(2,357)
Sale of property, plant and equipment		3,151	3,151	714	714
(Increase) decrease in deposits with other financial institutions		(318,249)	(318,248)	50,770	50,769
Net cash flows from / (used in) investing activities		**(321,744)**	**(321,743)**	**41,445**	**41,444**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		163,171	163,171	(10,505)	(10,505)
Proceeds of issue of subordinated debt		-	-	19,936	19,936
Net cash flows from / (used in) financing activities		**163,171**	**163,171**	**9,431**	**9,431**
CASH HELD					
Net increase (decrease) in cash held		150,835	150,835	(75,874)	(75,874)
Add opening cash brought forward		70,884	70,884	146,758	146,758
Closing cash carried forward	**35a**	**221,719**	**221,719**	**70,884**	**70,884**

Notes to the financial statements

1. Statement of accounting policies

a. General information and statement of compliance

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

Teachers Mutual Bank Limited is the Group's ultimate parent company and its controlled entities are Q.T. Travel Pty Ltd, Tertiary Travel Service Pty Ltd and EdSec Funding Trust No. 1 for the year ended 30 June 2019.

The consolidated financial statements for the year ended 30 June 2019 were authorised for issue on the 26 August 2019, in accordance with a resolution of the Board of Directors.

b. Basis of measurement

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

c. Changes in significant accounting policies

New standards applicable for the current year

AASB 15 Revenue from contracts with customers

On 1 July 2018, the Group adopted AASB 15 'Revenue from Contracts with Customers', replacing the previous standard, AASB 118 'Revenue'. Under AASB 118, revenue was recognised when risks and rewards transferred from the seller to the buyer. AASB 15 has introduced a single, principle-based five step recognition and measurement model for revenue recognition.

The five steps are:

1. Identify the contract with a customer;
2. Identify the separate performance obligations;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation identified in Step 2;
5. Recognise revenue when a performance obligation is satisfied.

Where there is variable consideration in calculating a transaction price, revenue will only be recognised if it is highly probable that a significant revenue reversal will not subsequently occur. AASB 15 applies to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts, and leases.

The Group has used the modified retrospective approach in adopting AASB 15 which recognises the cumulative effect of initial application through opening retained earnings as at 1 July 2018.

The Group has not restated the comparative period financial statements. There has been no significant changes to the Group as a result of adopting AASB 15 for fees, commissions and other income.

AASB 9 Financial instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The adoption of AASB 9 has impacted the following areas:

Classification and measurement of the Group's financial assets

AASB 9 allows for three classification categories for financial assets — amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale investments. Classification of financial liabilities is largely unchanged. Refer to the table on the next page for a reconciliation of changes in classification and measurement of financial instruments on adoption of AASB 9.

Impairment of the Group's financial assets

The Group's financial assets carried at amortised cost and those carried at FVOCI are subject to AASB 9's new three-stage expected credit loss model. The Group measures loss allowances at an amount equal to lifetime expected credit losses (ECL), except for the following, for which they are measured as 12 months ECL.

- Debt investment securities that are determined to have a low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not significantly increased since initial recognition.

An impairment allowance of $1.955 million was included on 1 July 2018 in respect of loans and advances to members. No impairment allowance was recognised for other investments. Further detail of how the Group has applied the ECL policy is included in Note 8.

Hedge accounting

All of the Group's forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139. The Group has elected, as an accounting policy choice under AASB 9, to continue to apply the hedge accounting requirements of AASB 139. However, as required by the standard, the Group meets the new hedge accounting disclosures. Refer to Note 5.

Reconciliation of financial instruments on adoption of AASB 9

On the date of initial application, 1 July 2018, the financial instruments of the Group were reclassified as follows:

	MEASUREMENT CATEGORY		CARRYING AMOUNT		
	Original AASB 139 category	**New AASB 9 category**	**Closing balance 30 Jun 2018 (AASB 139)**	**Adoption of AASB 9**	**Opening balance 1 Jul 2018 (AASB 9)**
ASSETS					
Loans and advances to members	Loans and receivables	Amortised cost	5,997,831	(1,955)	5,995,876
Receivables	Receivables	Amortised cost	5,450	-	5,450
Receivables from financial institutions	Held to maturity	Amortised cost	933,510	-	933,510
Derivative assets held for hedging purposes	FVOCI	FVOCI	818	-	818
Investment securities – CUSCAL Share	AFS	FVOCI	5,145	-	5,145
Cash	Amortised cost	Amortised cost	70,884	-	70,884
Total financial assets			**7,013,638**	**(1,955)**	**7,011,683**
LIABILITIES					
Derivative liabilities held for hedging purposes	FVOCI	FVOCI	519	-	519
Deposits from members and other financial institutions	Amortised cost	Amortised cost	6,523,630	-	6,523,630
Bank borrowings	Amortised cost	Amortised cost	-	-	-
Total financial liabilities			**6,524,149**	**-**	**6,524,149**

d. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

e. Financial assets and liabilities

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

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

Policy applicable after 1 July 2018

Classification of financial assets

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

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

- amortised cost
- fair value through profit or loss (FVPL)
- fair value through other comprehensive income (FVOCI)

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

Classifications are determined by both:

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

Subsequent measurement of financial assets

Financial assets at amortised costs

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

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

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

Financial assets at 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.

Fair Value through Other Comprehensive Income (FVOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVOCI. Subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend from these investments continue to be recorded as other income within the profit or loss unless the dividend clearly represents return of capital. This category includes unlisted equity securities — CUSCAL Ltd — that were previously classified as 'available for sale' under AASB 139.

Loans and advances to members

'Loans and advances to members' captions in the statement of financial position include:

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

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

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

Loans and advances to customers included:

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

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

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

Interest earned

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

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

Overdrawn savings — interest is calculated on the daily balance outstanding and is charged in arrears on the last day of each month.

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

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

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

Loan origination fees and discounts

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

Fees on loans

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

Net gains and losses

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

Reclassifications

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

Classification of financial liabilities

Deposits from members and other financial institutions

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

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

Bank borrowings and subordinated debt

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

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

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

Policy applicable before 1 July 2018

Classification of financial assets

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:

- loans and receivables
- financial assets at FVPL
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVPL

Financial assets at FVPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or, where no active market exists, using a valuation technique.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity. The Group currently holds Term deposits, Negotiable Certificates of Deposit (NCD), and Floating Rate Notes. If more than an insignificant portion of these assets are sold or redeemed early, then the asset class will be reclassified as available-for-sale financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

Available-for-sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets, and the equity investment in Cuscal Ltd, are included in this category.

The equity investment in Cuscal Ltd is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as reclassification adjustments within other comprehensive income. Interest is calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Loans and advances to members

Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in profit or loss over the period of the loans using the effective interest method.

Loans and advances to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Group at the reporting date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

Classification of financial liabilities

Retail deposits

Basis for determination

Retail savings and term deposits are stated at the aggregate amount of money owing to depositors.

Interest payable

Savings

Savings account interest is calculated on daily balances and credited monthly, unless the account is designated as a balance offset account, in which case interest is calculated as described in balance offset loans in Note 1e.

Fixed term deposits

Interest on fixed term deposits is calculated on a daily basis at the agreed rate and is paid in accordance with the terms of the deposit. Interest payable is included in the balance of retail deposits in the statement of financial position.

Wholesale sector funding

Basis for determination

Wholesale term deposits, FRNs and NCDs are stated at the aggregate amount owed.

Interest payable

Interest on fixed term deposit accounts is calculated on a daily basis at the agreed rate and is paid in accordance with the terms of the deposit. Interest payable is included in the balance of wholesale sector funding in the statement of financial position.

Borrowings

All borrowings are initially recognised at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost. Differences between net proceeds and redemption amounts are recognised in the statement of comprehensive income over the term of the borrowings using the effective interest method.

Subordinated debt

Subordinated debt is initially recognised at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

f. Loan impairment

Policy applicable after 1 July 2018

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

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

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

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

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

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

Measurement of ECL

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

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

The critical assumptions used in the calculation are as set out in Note 8. Note 23 details the credit risk management approach for loans.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

Policy applicable before 1 July 2018

Specific provision

A provision for losses on impaired loans is recognised when there is objective evidence of impairment. Impairment charges are calculated on a portfolio basis for loans of similar characteristics, or on an individual basis. Amounts provided are determined by management and the Board of Directors to recognise the probability of loan collections not occurring in accordance with the terms of loan agreement. The critical assumptions used in the calculation are as set out in Note 8.

Australian Prudential Standards specify a minimum provision that is based on percentages of loan, balances within specific arrears' aging periods, loan type, insurance and security. This method is applied in determining the collective provisions for impairment.

Individual and groups of loans are continually reviewed for indicators of impairment. When impairment indicators exist, further assessment is undertaken and loan impairment charges are recognised. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

General reserve for credit losses

The general reserve for credit losses' is a reserve in respect of credit losses prudently estimated but not certain to arise over the life of individual loan facilities provided by the Group. The reserve is made as an allocation from retained earnings.

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

g. Derivative financial instruments

Interest rate swaps

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

Hedge accounting

The Group determines that any proposed hedging instrument to be used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item before entering the hedge. The relationship between the hedging instrument and the hedged item, its risk management objectives, and its strategy is documented at the inception of the hedge. Existing hedges are tested on a retrospective basis to ensure that gains and losses on any ineffective portion of hedges are reported through profit and loss. Fair values of derivative instruments used for hedging purposes are provided at Note 28. 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 comprehensive income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

h. Cash and cash equivalents

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

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

i. Property, plant and equipment

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

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

- Buildings – 40 years;
- Leasehold improvements – up to 5 years or the term of the lease; and
- Plant and equipment – 2.5 to 12 years.

j. Intangible assets

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

k. Investment in controlled entities

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

l. Provision for employee benefits

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

m. Leasehold on premises

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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

n. Income tax

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

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

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

o. Goods and services tax (GST)

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

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

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

p. Business combinations

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

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

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

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

q. The REPO securitisation trust consolidation

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

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

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

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

r. Impairment of assets

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

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

s. Accounting estimates and judgements

Measurement of expected credit loss (ECL) allowance

Management has made critical accounting estimates when applying the Group's accounting policies with respect to the measurement of expected credit loss (ECL) allowance – Note 8. In the current year, the approach to estimating impairment losses has been revised following adoption of AASB 9 effective 1 July 2018. Key areas of judgement to be considered under the new standard include:

- Recognition of credit losses based on 'Stage 1' 12 month expected losses and 'Stage 2' and 'Stage 3' lifetime expected credit losses.
- Determining criteria for significant increase in credit risk: An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL: when ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

t. Assets measured at fair value

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

• **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities;

• **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

u. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 30 June 2019. The Group's assessment of the impact of these new standards and interpretations is set out below.

Emerging standards

AASB reference	Nature of change	Application date	Impact on initial application
AASB 16 Leases Replaces AASB 117	Replaces AASB 117 Leases and some lease-related interpretations. Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low-value asset leases. Provides new guidance on the application of the definition of lease and on sale and lease back accounting. Requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019	Based on the Group's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will recognise lease assets and liabilities on the balance sheet of approximately $2 million. - there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities - earnings before interest and taxes (EBIT) in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off-balance sheet leases will be presented as part of finance costs rather than being included in operating expenses - operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows, as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

2. Income statement

a. Analysis of interest revenue

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST REVENUE				
Cash – deposits at call	2,493	2,493	2,590	2,591
Receivables from financial institution deposits	28,570	28,570	25,114	25,114
Loans and advances to members	264,087	264,087	244,686	244,686
Derivatives interest income	447	447	142	142
Other	61	61	35	35
Total interest revenue	**295,658**	**295,658**	**272,567**	**272,568**

b. Non-interest revenue

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
FEE AND COMMISSION REVENUE				
Loan fee income – other than loan origination fees	2,850	2,850	2,888	2,888
Other fee income	2,986	2,986	4,366	4,366
Insurance commissions	4,336	4,336	4,857	4,857
Other commissions	6,672	6,672	6,683	6,683
Total fee and commission revenue	**16,844**	**16,844**	**18,794**	**18,794**

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER INCOME				
Dividends received on available for sale assets	214	214	429	429
Bad debts recovered	1,115	1,115	1,076	1,076
Gain on disposal of assets:				
- Property, plant and equipment	3,151	3,151	714	714
- Investments	-	-	3	3
Transfers from provisions:				
- Impairment losses on loans and advances	7	7	-	-
- Sick Leave	-	-	22	22
- Director development	-	-	12	12
Travel income from sales	11,148	-	11,829	-
Miscellaneous revenue	1,607	1,607	1,618	1,627
Total non-interest revenue	**34,086**	**22,938**	**34,497**	**22,677**

c. Interest expenses

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST EXPENSES				
Overdraft	17	17	16	16
Short-term borrowing	5	5	-	-
Wholesale sector funding	20,542	20,542	13,103	13,103
Wholesale deposits	3,345	3,345	2,142	2,142
Retail deposits	118,188	118,192	108,073	108,078
Derivatives interest expense	392	392	2,093	2,093
Subordinated debt interest expense	942	942	750	750
Total interest expenses	**143,431**	**143,435**	**126,177**	**126,182**

d. Impairment losses

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
LOANS AND ADVANCES CARRIED AT AMORTISED COST				
Increase in provision for impairment	-	-	592	592
Bad debts written off directly against profit	1,854	1,854	2,105	2,105
Total impairment losses	**1,854**	**1,854**	**2,697**	**2,697**

e. Prescribed expenses

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
EMPLOYEE COSTS				
Personnel costs	65,301	64,525	59,743	58,765
Superannuation contributions	5,584	5,507	5,207	5,126
Net movement in provisions for employee annual leave	1,226	1,226	380	380
Net movement in provisions for employee long service leave	1,742	1,742	354	354
Net movement in provisions for employee sick leave	118	118	-	-
Total employee costs	**73,971**	**73,118**	**65,684**	**64,625**

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	851	851	742	742
Plant and equipment	3,065	3,065	3,464	3,462
Leasehold improvements (including lease make good provisions)	208	208	246	246
Written down value of assets disposed	2,719	2,719	695	695
Intangible assets – computer software	2,310	2,310	2,139	2,139
Total depreciation and amortisation expenses	**9,153**	**9,153**	**7,286**	**7,284**
AUDITOR'S REMUNERATION (EXCLUDING GST)				
Audit and review of financial statements:				
- Audit services: Grant Thornton	197	192	183	170
Other services:				
- Compliance	10	10	2	2
- Other	5	5	5	5
Total auditor's remuneration	**212**	**207**	**190**	**177**
OTHER OPERATING EXPENSES				
Transaction expenses	13,772	13,772	13,056	13,056
Information technology	13,882	13,855	12,486	12,454
Office occupancy	3,604	3,604	3,914	3,914
Net movement in provisions for director development	29	29	-	-
Research, marketing, sponsorships and events	6,508	6,499	6,593	6,595
Professional fees	2,135	2,135	1,537	1,537
Other administration	22,548	12,286	22,314	11,513
Total other operating expenses	**62,478**	**52,180**	**59,900**	**49,069**
Total general administration	**145,814**	**134,658**	**133,060**	**121,155**

3. Income tax expense

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

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Provision for income tax – current year	12,524	12,521	13,851	13,851
Under (over) provision in prior years	(42)	(42)	(50)	(50)
Decrease (increase) in the deferred tax asset	(898)	(894)	(413)	(389)
Income tax expense attributable to profit	**11,584**	**11,585**	**13,388**	**13,412**

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

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit	**38,645**	**38,649**	**45,130**	**45,211**
Prima facie tax payable on profit before income tax at 30%	11,594	11,595	13,539	13,563
Add: Tax effect of expenses not deductible	97	97	94	94
Less: Tax effect of income not assessable	(1)	(1)	(2)	(2)
Subtotal	**11,690**	**11,691**	**13,631**	**13,655**
Add: Adjustments to recognise deferred tax assets	898	894	349	325
Less: Franking rebate	(64)	(64)	(129)	(129)
Current income tax provision attributable to profit	**12,524**	**12,521**	**13,851**	**13,851**

c. Franking credits

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	207,031	206,642	194,400	194,024

4. Receivables from financial institutions at amortised cost

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit	426,716	426,716	310,323	310,323
Floating rate notes	750,663	750,663	584,620	584,620
Promissory note	34,883	34,883	-	-
Other	39,497	39,497	38,567	38,567
Total receivables from financial institutions	**1,251,759**	**1,251,759**	**933,510**	**933,510**

5. Derivative financial instruments at fair value through other comprehensive income

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

Derivatives designated as cash flow hedges

	2019 $'000 Parent & Consolidated		2018 $'000 Parent & Consolidated	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	552	2,250	818	519

Net movement on derivatives during the year

	2019 $'000 Parent & Consolidated	2018 $'000 Parent & Consolidated
Recognised in interest income	(52)	246
Recognised to other comprehensive income	(1,945)	1,360
Total	**(1,997)**	**1,606**

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

	2019 $'000 Parent & Consolidated			2018 $'000 Parent & Consolidated		
	Pay Fixed	**Receive Fixed**	**Notional Amount**	**Pay Fixed**	**Receive Fixed**	**Notional Amount**
Within 1 year	210,600	-	210,600	261,200	-	261,200
> 1 to 2 years	50,400	-	50,400	210,600	-	210,600
> 2 to 3 years	16,000	-	16,000	50,400	-	50,400
> 3 to 4 years	-	-	-	16,000	-	16,000
> 4 to 5 years	-	-	-	-	-	-
> 5 years	-	-	-	-	-	-
Total	**277,000**	**-**	**277,000**	**538,200**	**-**	**538,200**

Edsec Funding Trust No. 1 (see Note 34) entered into a fixed-for-floating swap of $368m with a third party on 15 April 2019 with a 5 year term. The parent entity, TMBL, has entered into a back-to-back swap with the same third party. The transactions result in a legally enforceable offsetting arrangement which has not been disclosed in the table above.

6. Receivables at amortised cost

	2019 $'000		2018 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Interest receivable on deposits with other financial institutions	3,860	3,860	3,751	3,751
Sundry debtors and settlement accounts	4,910	4,548	1,699	1,329
Total receivables	**8,770**	**8,408**	**5,450**	**5,080**

7. Loans and advances at amortised cost

a. Amount due

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Overdrafts and credit cards	94,608	94,608	96,764	96,764
Term loans	6,379,887	6,379,887	5,895,813	5,895,813
Overdrawn savings	118	118	114	114
Subtotal	**6,474,613**	**6,474,613**	**5,992,691**	**5,992,691**
Add: Amortised loan origination transaction costs and broker commission, net of fees	29,673	29,673	7,748	7,748
Subtotal	**6,504,286**	**6,504,286**	**6,000,439**	**6,000,439**
Less: Provision for impaired loans as detailed in Note 8	(4,556)	(4,556)	(2,608)	(2,608)
Total loans and advances to members	**6,499,730**	**6,499,730**	**5,997,831**	**5,997,831**

b. Credit quality – security held against loans

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Secured by mortgage over real estate	6,288,709	6,288,709	5,782,690	5,782,690
Partly secured by goods mortgage	9,514	9,514	10,903	10,903
Wholly unsecured	176,390	176,390	199,098	199,098
Total	**6,474,613**	**6,474,613**	**5,992,691**	**5,992,691**

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

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:				
– Loan to valuation ratio of less than 80%	4,758,130	4,758,130	4,478,330	4,478,330
– Loan to valuation ratio of more than 80% but mortgage insured	1,391,017	1,391,017	1,081,891	1,081,891
– Loan to valuation ratio of more than 80% and not mortgage insured	139,562	139,562	222,469	222,469
Total	**6,288,709**	**6,288,709**	**5,782,690**	**5,782,690**

c. Concentration of loans by purpose

The values discussed below include on-statement of financial position values and off-statement of financial position undrawn facilities as described in Note 29.

i) There are no members who individually or collectively have loans, representing 10% or more of members' equity.

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:	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
NSW Department of Education	1,594,761	1,594,761	1,569,158	1,569,158
State Super Financial Services	149,416	149,416	180,654	180,654
WA Department of Education	118,034	118,034	114,918	114,918
ACT Department of Treasury	111,283	111,283	110,761	110,761
Catholic Education Office	84,008	84,008	82,102	82,102
Teachers Mutual Bank Limited employees	58,324	58,324	61,935	61,935
NSW TAFE	54,736	54,736	54,596	54,596

NUMBER OF MEMBERSHIPS WITH LOANS THAT ARE RECEIVING PAYMENTS FROM:	2019 Number		2018 Number	
	Consolidated	**Parent**	**Consolidated**	**Parent**
NSW Department of Education	11,713	11,713	11,703	11,703
State Super Financial Services	4,289	4,289	4,533	4,533
NSW TAFE	555	555	357	357
ACT Department of Treasury	554	554	531	531
WA Department of Education	514	514	580	580
Catholic Education Office	420	420	512	512
Teachers Mutual Bank Limited employees	345	345	451	451

For the purposes of this note, membership includes both shareholding and non-shareholding.

iii) Geographical concentrations including loan balances and loan financial commitments set out in Notes 29a, 29b, and 29c.

	2019 $'000 Parent & Consolidated				2018 $'000 Parent & Consolidated			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	4,458,822	541,767	33	5,000,622	4,195,851	803,482	34	4,999,367
Victoria	429,305	12,191	-	441,496	330,724	20,996	-	351,720
Queensland	579,682	21,468	-	601,150	461,888	37,711	-	499,599
South Australia	57,871	2,723	-	60,594	48,154	4,091	-	52,245
Western Australia	684,530	39,743	699	724,972	564,080	63,250	699	628,029
Tasmania	44,853	1,975	-	46,828	37,390	2,339	-	39,729
Northern Territory	21,357	2,428	-	23,785	20,294	3,391	-	23,685
Australian Capital Territory	356,115	21,230	-	377,345	300,014	31,776	-	331,790
Other	93	6,637	-	6,730	-	5,332	-	5,332
Total	**6,632,628**	**650,162**	**732**	**7,283,522**	**5,958,395**	**972,368**	**733**	**6,931,496**

d. Securitised loans

Non-derecognised securitised loans.

	2019 $'000	**2018 $'000**
EdSec Funding Trust No. 1	1,162,287	757,584

8. Provision on impaired loans

a. Amounts arising from ECL

The loss allowance as at year end by class of asset is summarised in the table below. Comparative amounts for 2018 represent allowance account for credit losses and reflect measurement basis under AASB 139.

	2019 $'000			2018 $'000		
By Security	Parent & Consolidated			Parent & Consolidated		
LOANS AND ADVANCES TO MEMBERS	Gross carrying value	ECL allowance	Carrying value	Gross carrying value	Provision for impairment	Carrying value
Housing	6,288,075	(857)	6,287,218	5,782,061	(932)	5,781,129
Personal	94,990	(2,143)	92,847	116,826	(716)	116,110
Credit card	69,276	(1,079)	68,197	70,501	(837)	69,664
RediCredit	21,638	(477)	21,161	22,673	(123)	22,550
Total – households	**6,473,979**	**(4,556)**	**6,469,423**	**5,992,061**	**(2,608)**	**5,989,453**
Business	634	-	634	630	-	630
Total	**6,474,613**	**(4,556)**	**6,470,057**	**5,992,691**	**(2,608)**	**5,990,083**

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

	2019 $'000					2018 $'000
By Security	Parent & Consolidated					Parent & Consolidated
LOANS AND ADVANCES TO MEMBERS	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total	Total
Housing	108	235	514	-	857	932
Personal	942	463	738	-	2,143	716
Credit card	279	353	447	-	1,079	837
RediCredit	67	268	142	-	477	123
Business	-	-	-	-	-	-
Loss allowance	1,396	1,319	1,841	-	4,556	2,608
Carrying amount	1,396	1,319	1,841	-	4,556	2,608

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

	2019 $'000					2018 $'000
	Parent & Consolidated					Parent & Consolidated
LOANS AND ADVANCES TO MEMBERS	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit impaired	Total	Total
Balance at 1 July per AASB 139	-	-	-	-	2,608	2,016
Adjustment on initial application of AASB 9	-	-	-	-	1,955	-
Balance at 1 July per AASB 9	**1,605**	**1,074**	**1,884**	**-**	**4,563**	**2,016**
Net movement due to change in credit risk	(215)	118	(427)	-	(524)	592
Changes in models/risk parameters	6	127	384	-	517	-
Balance at 30 June	**1,396**	**1,319**	**1,841**	**-**	**4,556**	**2,608**

Key assumptions in determining the ECL

Measurement of ECL

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

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

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

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

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

Grouping of similar assets

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

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

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

The portfolios are subject to regular review to ensure that exposures within a particular portfolio remain appropriately homogeneous.

Significant increase in credit risk

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

- **Stage 1** – less than 30 days past due
- **Stage 2** – 30 to less than 90 days past due or has been approved to be subject to financial hardship and is less than 90 past due and
- **Stage 3** – 90 or more days past due.

The expected credit loss is calculated on the debit balance for Stage 1 and exposure for Stages 2 and 3. The PD for each product set or class varies for each stage (e.g. Stage 3 has a PD of 100%) while the LGD remains constant across all stages.

Incorporation of forward-looking information

The approach to determining the ECL includes forward-looking information based on both the internal (e.g. change in counterparties) and external (e.g. change in economic conditions) environments. Due to the attributes of the counterparties, both historically and currently, analysis has not identified any environmental factors that have or are likely to have, other than at extreme levels, an adverse effect on the expected credit loss.

The ECL is considered to represent the best estimate of the probable outcomes and is aligned with information used for other purposes such as the calculation of the 'general reserve for credit losses', strategic planning, and budgeting.

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

b. Impaired financial assets – Comparative information under AASB 139

Analysis of loans that are impaired or potentially impaired by class

In the note below:

- Carrying value is equivalent to that stated in the statement of financial position;
- Value of impaired loans represents 'on-statement of financial position' loan balances and includes non-accrual loans and restructured loans stated in Note 1e;
- Provision for impairment is the amount of the impaired provision allocated to the class of impaired loans.

		2018 $'000	
By Purpose		**Parent & Consolidated**	
LOANS AND ADVANCES TO MEMBERS	**Carrying value**	**Value of impaired loans**	**Provision for impairment**
Housing	5,380,014	16,287	936
Personal	519,065	1,782	711
Credit card	70,501	1,798	837
RediCredit	22,686	233	123
Total – households	**5,992,266**	**20,100**	**2,607**
Business	425	1	1
Total	**5,992,691**	**20,101**	**2,608**

Loans with repayments past due but not regarded as impaired

Loans balances of $1.6 million are in arrears by at least 30 days and are not considered to be impaired as full recovery of both principal and interest is expected. It is not practicable to determine fair value of collateral at the balance date due to the variety and condition of assets.

Loans with repayments past due and not impaired are in arrears as follows:

		2018 $'000		
By Purpose		**Parent & Consolidated**		
LOANS AND ADVANCES TO MEMBERS	**<1 to 3 months**	**<3 to 6 months**	**>6months**	**Total**
Housing	-	223	935	1,158
Personal	-	-	486	486
Credit card	-	-	-	-
RediCredit	-	-	-	-
Total	**-**	**223**	**1,421**	**1,644**

Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

Key assumptions in determining the provision for impairment

During the course of the preparation of the annual report, the Group has determined the likely impairment loss on loans that have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses, or economic circumstances. In identifying the impairment likely from these events, the Group is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

PERIOD OF IMPAIRMENT	**% of balance**
Up to 90 days	0
90 to less than 182 days in arrears	40
182 to less than 273 days in arrears	60
273 to less than 265 days in arrears	80
365 days and over in arrears	100

Impaired loans are generally not secured against residential property. Some impaired loans are secured by mortgage over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of collateral as at balance date due to the variety and condition of assets.

9. Shares in unlisted companies

SHARES IN UNLISTED COMPANIES	At fair value through other comprehensive income 2019 $'000 Consolidated	Parent	Available for sale 2018 $'000 Consolidated	Parent
Cuscal Limited (Cuscal)	5,145	5,145	5,145	5,145
Total	**5,145**	**5,145**	**5,145**	**5,145**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

This company is an APRA Authorised Deposit-taking Institution that supplies settlement, transaction processing, card, interchange, and other services to organisations including mutual banks, credit unions and building societies. The volume of shares traded is low.

Management has used unobservable inputs to assess the fair value of these shares. Cuscal's financial reports disclose net tangible assets exceeding the value of shares on issue and the fair value of these shares is likely to exceed their cost. However, a market value is not able to be readily determined. Dividend return in 2019 was 2.5 cents per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value.

The Group does not intend to dispose of these shares.

10. Investment in controlled entities

SHARES IN SUBSIDIARY	2019 $'000 Consolidated	Parent	2018 $'000 Consolidated	Parent
Q.T. Travel Pty Ltd	-	47	-	47
Tertiary Travel Service Pty Ltd	-	100	-	100
Total investment in controlled entities	**-**	**147**	**-**	**147**

This note should be read in conjunction with Note 32(d) of the financial statements.

Q.T. Travel Pty Ltd

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

Tertiary Travel Service Pty Ltd

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

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

NAME OF ENTITY	2019 Equity Interest	2018 Equity Interest	2019 $'000 Investment	2018 $'000 Investment
Q.T. Travel Pty Ltd	100%	100%	47	47
Tertiary Travel Service Pty Ltd	100%	100%	100	100

11. Property, plant and equipment

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
FIXED ASSETS				
Land, at cost	**10,040**	**10,040**	**11,616**	**11,616**
Buildings, at cost	33,650	33,650	31,805	31,805
Less: Provision for depreciation	(16,368)	(16,368)	(15,612)	(15,612)
Net building	**17,282**	**17,282**	**16,193**	**16,193**
Total land and buildings	**27,322**	**27,322**	**27,809**	**27,809**
Plant and equipment, at cost	34,881	34,881	33,814	33,617
Less: Provision for depreciation	(26,696)	(26,696)	(25,045)	(24,849)
Total plant and equipment	**8,185**	**8,185**	**8,769**	**8,768**
Capitalised leasehold improvements, at cost	1,003	1,003	870	870
Less: Provision for amortisation	(691)	(691)	(579)	(579)
Total capitalised leasehold improvements	**312**	**312**	**291**	**291**
Total property, plant and equipment	**35,819**	**35,819**	**36,869**	**36,868**

Movement in asset balances during the year

CONSOLIDATED	Land	Building	Plant & equipment	Leasehold improvement	Total
			2019 $'000		
Opening balance	11,616	16,193	8,769	291	36,869
Additions	-	2,866	2,697	229	5,792
Less: Assets disposed	(1,576)	(927)	(216)	-	(2,719)
Less: Depreciation charge	-	(850)	(3,065)	(208)	(4,123)
Closing balance	**10,040**	**17,282**	**8,185**	**312**	**35,819**
			2018 $'000		
Opening balance	10,209	12,672	9,495	373	32,749
Additions	1,407	4,270	3,411	165	9,253
Less: Assets disposed	-	(8)	(673)	(1)	(682)
Less: Depreciation charge	-	(741)	(3,464)	(246)	(4,451)
Closing balance	**11,616**	**16,193**	**8,769**	**291**	**36,869**

PARENT	Land	Building	Plant & equipment	Leasehold improvement	Total
			2019 $'000		
Opening balance	11,616	16,193	8,769	291	36,869
Additions	-	2,866	2,697	229	5,792
Less: Assets disposed	(1,576)	(927)	(216)	-	(2,719)
Less: Depreciation charge	-	(850)	(3,065)	(208)	(4,123)
Closing balance	**10,040**	**17,282**	**8,185**	**312**	**35,819**
			2018 $'000		
Opening balance	10,209	12,672	9,492	373	32,746
Additions	1,407	4,270	3,411	165	9,253
Less: Assets disposed	-	(8)	(673)	(1)	(682)
Less: Depreciation charge	-	(741)	(3,462)	(246)	(4,449)
Closing balance	**11,616**	**16,193**	**8,768**	**291**	**36,868**

12. Taxation assets

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
DEFERRED INCOME TAX ASSETS				
Accrued expenses not deductible until incurred	279	275	275	270
Provisions for impairment on loans	1,389	1,389	827	827
Provisions for employee benefits	6,215	6,199	5,232	5,222
Provisions for other liabilities	1,187	1,187	1,777	1,777
Depreciation on fixed assets	223	223	236	236
Tax losses	24	-	115	-
Amortisation of intangible assets	51	51	98	98
Deferred tax assets	9,368	9,324	8,560	8,430

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER TAX ASSETS				
GST	-	-	308	311
Land tax	341	341	272	272
Total taxation assets	**9,709**	**9,665**	**9,140**	**9,013**

13. Intangible assets

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Computer software, at cost	21,293	21,293	20,363	20,315
Less: Provision for amortisation	(17,174)	(17,174)	(14,912)	(14,864)
Total intangible assets	**4,119**	**4,119**	**5,451**	**5,451**

Movement in balances during the year

Opening balance	5,451	5,451	5,244	5,244
Additions	978	978	2,346	2,346
Less: Amortisation charge	(2,310)	(2,310)	(2,139)	(2,139)
Less: Assets disposed	-	-		
Closing balance	**4,119**	**4,119**	**5,451**	**5,451**

14. Wholesale sector funding at amortised cost

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Overnight Account	50,005	50,005	-	-
Negotiable certificates of deposit issued	287,459	287,459	355,947	355,947
Floating rate notes issued	402,080	402,080	200,603	200,603
Wholesale deposits	95,128	95,128	114,329	114,329
Total wholesale sector funding	**834,672**	**834,672**	**670,879**	**670,879**

15. Retail deposits at amortised cost

a. Retail deposits

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
At call	3,383,201	3,383,203	3,085,368	3,086,167
Term	3,184,776	3,184,776	2,725,496	2,725,496
Member withdrawable shares	2,051	2,051	1,984	1,984
Total retail deposits	**6,569,028**	**6,570,030**	**5,812,848**	**5,813,647**

b. Concentration of liabilities

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

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

	2019 $'000	2018 $'000
BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:		
State Super Financial Services	1,712,133	1,573,120
NSW Department of Education	668,386	582,744

	2019 Number	2018 Number
NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:		
State Super Financial Services	16,187	16,208
NSW Department of Education	25,929	25,404

iii) Geographical concentrations are as follows:

	2019 $'000	2018 $'000
GEOGRAPHICAL CONCENTRATIONS		
New South Wales	5,635,164	5,055,867
Western Australia	331,228	292,467
Queensland	157,844	126,572
Australian Capital Territory	166,438	125,107
Victoria	126,271	87,324
Other	95,571	77,621
South Australia	23,933	19,098
Tasmania	21,666	18,490
Northern Territory	9,864	9,117
Total	**6,567,979**	**5,811,663**

16. Creditors, accruals and settlement accounts

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Creditors and accruals	5,728	5,282	5,207	4,848
Unearned income	1,052	1,052	1,186	1,186
Settlement accounts	19,549	19,549	13,446	13,446
Total creditors, accruals and settlement accounts	**26,329**	**25,883**	**19,839**	**19,480**

17. Taxation liabilities

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Current income tax liability	698	695	834	834
GST	25	20	-	-
Other tax liabilities	357	357	600	600
Total taxation liabilities	**1,080**	**1,072**	**1,434**	**1,434**

CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance, previous year	834	834	404	404
Less: Paid	(792)	(792)	(354)	(354)
Over (under) statement in prior year	**42**	**42**	**50**	**50**

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Liability for income tax in current year	12,524	12,521	13,851	13,851
Less: Installments paid in current year	(11,826)	(11,826)	(13,017)	(13,017)
Current income tax liability	**698**	**695**	**834**	**834**

18. Provisions

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Employee entitlements	20,160	20,029	17,055	16,943
Lease make good of premises	295	295	229	229
Provision for broker trail commission	18,699	18,699	-	-
Director development	214	214	185	185
Total provisions	**39,368**	**39,237**	**17,469**	**17,357**

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISION:				
Opening balance	17,055	16,943	16,394	16,231
Less: Paid	(5,686)	(5,624)	(5,686)	(5,624)
Liability increase (decrease)	8,791	8,710	6,347	6,336
Closing balance	**20,160**	**20,029**	**17,055**	**16,943**

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISIONS:				
Opening balance	229	229	235	235
Liability increase	66	66	(6)	(6)
Closing balance	**295**	**295**	**229**	**229**

MOVEMENT IN DIRECTOR DEVELOPMENT PROVISION:	2019 $'000 Consolidated	2019 $'000 Parent	2018 $'000 Consolidated	2018 $'000 Parent
Opening balance	185	185	196	196
Less: Paid	(23)	(23)	(11)	(11)
Liability increase	52	52	-	-
Closing balance	**214**	**214**	**185**	**185**

MOVEMENT IN BROKER TRAIL PROVISION:	2019 $'000 Consolidated	2019 $'000 Parent	2018 $'000 Consolidated	2018 $'000 Parent
Opening balance	11,845	11,845	-	-
Less: Paid	-	-	-	-
Liability increase	6,853	6,853	-	-
Closing balance	**18,698**	**18,698**	**-**	**-**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 0.955%–1.915% (2018: 1.910%–2.635%). The latest annual CPI rate available was used — March 2019 1.3% (March 2018: 1.9%).

Lease make good: The rates applied to give effect to the discount of cash flows were 0.955%–1.035% (2018 1.970%–1.985%).

19. Subordinated debt at amortised cost

	2019 $'000 Consolidated	2019 $'000 Parent	2018 $'000 Consolidated	2018 $'000 Parent
Subordinated debt	20,000	20,000	20,000	20,000
Accrued interest	55	55	64	64
Total subordinated debt	**20,055**	**20,055**	**20,064**	**20,064**

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

20. Capital reserve

	2019 $'000 Consolidated	2019 $'000 Parent	2018 $'000 Consolidated	2018 $'000 Parent
Opening balance	746	746	698	698
Transfer from retained earnings on share redemptions	50	50	48	48
Total capital reserve	**796**	**796**	**746**	**746**

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

21. General reserve for credit losses

	2019 $'000 Consolidated	2019 $'000 Parent	2018 $'000 Consolidated	2018 $'000 Parent
Opening balance	13,768	13,768	13,007	13,007
Increase (decrease) transfer from retained earnings	778	778	761	761
Total general reserve for credit losses	**14,546**	**14,546**	**13,768**	**13,768**

This note should be read in conjunction with Note 1f.

22. Cash flow hedge reserve

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	298	298	(1,062)	(1,062)
Increase (decrease) transfer from retained earnings	(1,945)	(1,945)	1,360	1,360
Total cash flow hedge reserve	**(1,647)**	**(1,647)**	**298**	**298**

Cash flow hedge reserve

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

23. Financial risk management objectives and policies

Overview

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

- Market risk
  - Interest rate risk
  - Equity investments
  - Liquidity risk
- Credit risk
  - Lending
  - Investing
- Operational risk

Governance

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

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

The Audit Committee assists the Board by:

- providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effectively and efficiently, within an appropriate framework of governance, risk management, and internal control;
- overseeing the integrity and quality of the Group's financial reports and statements, including financial information provided to regulators and members;
- monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management process;
- monitoring the effectiveness of the internal audit functions;
- monitoring the effectiveness of the external audit functions; and
- reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to.

The Risk and Compliance Committee assists the Board by:

- providing reasonable assurance 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 control;
- monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management process;
- reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to; and
- monitoring compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards.

The Board has established a Large Exposures Committee which reviews all proposals that could expose the Group to a significant lending or investing credit risk.

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

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

Market risk

Interest rate risk

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

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

Primary:

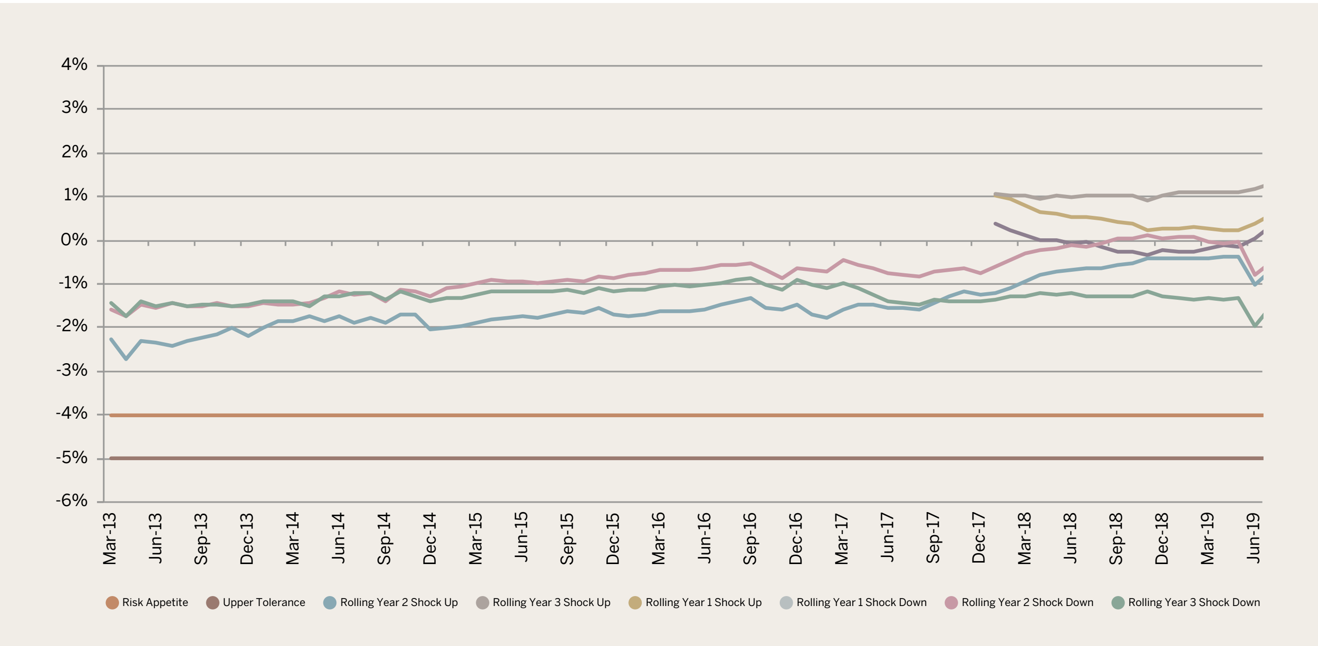
- Short-, medium- and long-term forecasts that are regularly updated;
- Monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes; and
- Monthly Earnings at Risk Simulations including projections based on flat rates, yield curve, and upward and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

Secondary:

- Monthly Gap analysis;
- Monthly Sensitivity analysis;
- Monthly Value at Risk analysis; and
- Annual benchmarking against industry.

Earnings at risk (EaR) as a % of capital

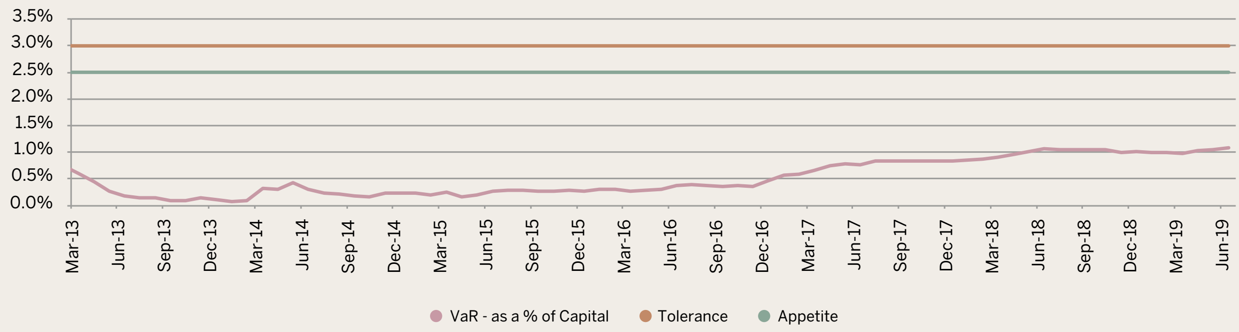
The Bank uses a forecasting model to measure the impact of rate changes on future profitability. A 1% shock up and down to the market yield curve is modelled each month over a rolling 3-year period. The Bank has recently introduced monitoring the exposure to upward movement as well as downward movements. The results are shown in the graph below.



% shock to the market yield curve with corresponding expected changes to product rates.

Value at risk (VaR) as a % of capital

Value at risk (VaR) measures the risk of changes in value of financial assets and liabilities associated with changes in market rates for a given 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.



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

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

The level of mismatch on the banking book is set out in Note 25. Note 27 displays the period that each asset and liability will reprice as at the balance date.

Market risk – equity investments

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

Liquidity risk

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

The Group manages liquidity risk by:

- continuously monitoring actual 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 Reserve Bank of Australia; and
- maintaining a securitisation trust to hold mortgage rights that may be provided as collateral should the Group borrow from the Reserve Bank of Australia.

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

The Parent is subject to the minimum liquidity holdings approach under Prudential Standard APS 210 and as such is not required to adopt the liquidity coverage ratio or net stable funding ratio measures. The Parent is required to maintain a minimum of 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Parent's risk appetite is to maintain at least 11% of funds as liquid assets to maintain adequate funds to meet member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits either from Authorised Deposit-taking Institutions (ADIs), retail and wholesale depositors, or borrowing facilities available. Note 30 describes the borrowing facilities available as at the balance date. The Parent also maintains a self-securitisation capability. Note 34 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.

	2019	2018
As at 30 June	17.96%	13.50%
Average for the year	15.62%	16.42%
Minimum during the year	13.59%	13.36%
Total adjusted liabilities	**7,982,605,426**	**7,155,043,337**

Credit risk

The credit risk of a financial institution is the risk that customers, members, financial institutions or other counterparties will be unable to meet their obligations to the institution resulting in financial loss. Credit risk arises principally from the Group's loan and investment assets, which 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 7b describes the nature of the security held against the loans as at the balance date.

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

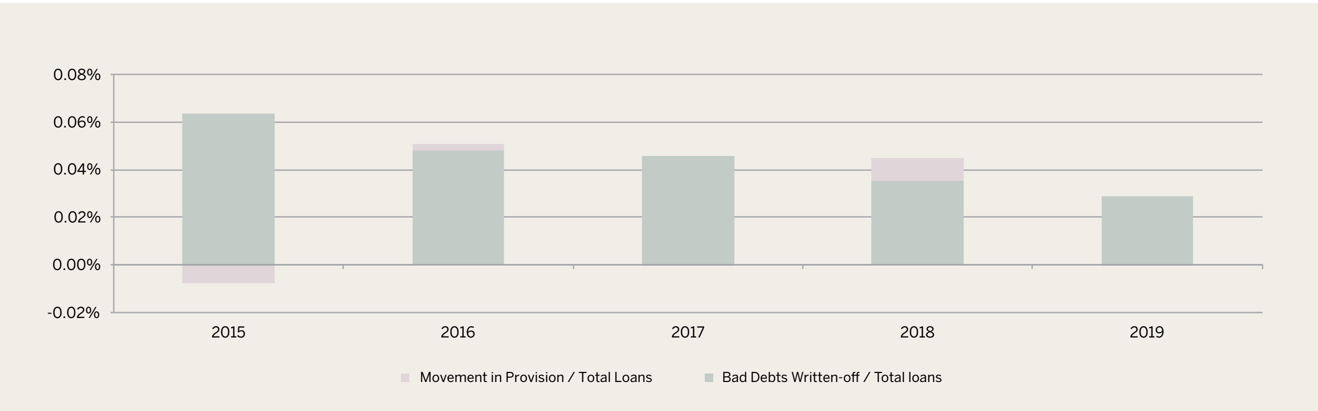
Concentrations are described in Note 7c. The Group has a concentration in retail lending to members who are predominantly employees in the Australian education sector and their families. This concentration is considered acceptable on the basis that the Group was formed to service these members, the industry is an essential and stable industry 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 Loan to Value Ratio (LVR) concentrations, along with monitoring non-performing lending.

Documented policies have been endorsed by the Board to ensure that loans are only made to members who are capable of meeting loan repayments.

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



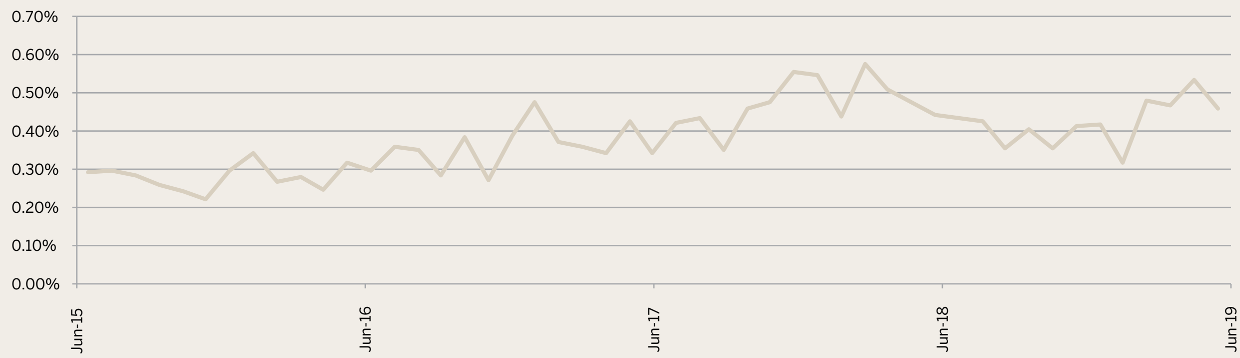
* Total provision for 2019 is accounted for under AASB 9.

Collateral securing loans

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

Performance of the Mortgage Secured portfolio is managed and monitored against the proportion of loan balances in arrears.

Percentage of mortgage portfolio in arrears



Credit risk – investing

The Group maintains a treasury credit risk policy to limit risk associated with the investment of funds. This policy requires that all high quality liquid investments eligible for inclusion in the regulatory liquidity calculation meet APRA's investment grade rating criteria. Limits are applied across individual counterparties, credit grading classes, 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 (ALCo) approves individual credit limits.

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

2019

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

2018

Investments with:	No. of institutions	Carrying value	Past due value	Provision
ADIs-rated A-1+ to A-1 (short-term)	7	185,450,506	-	-
ADIs-rated A-2 or P-2 (short-term)	12	270,883,395	-	-
ADIs-rated A-3 or P-3 (short-term)	3	36,754,141	-	-
ADIs-rated AA+ to AA- (long term)	4	235,211,973	-	-
ADIs-rated A+ to A- (long-term)	5	175,578,215	-	-
ADIs-rated BBB+ to BBB or Baa1 (long-term)	6	99,205,945	-	-
Total		**1,003,084,175**	**-**	**-**

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

Operational risk

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

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

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

Operational risk management

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

The Operational Risk Management Framework is underpinned by a culture of individual accountability and responsibility based on the three-line assurance model, which is represented at an operational level through business units and management as the first line, through designated risk management and compliance functions as the second line, and through internal audit, external audit, and the respective Board subcommittees as the third line.

Compliance

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

Fraud

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

Outsourcing arrangements

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

Cuscal Limited

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

i. supplies to the Parent rights to issue Visa cards;
ii. supplies Visa cards;
iii. provides settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY, NPP, Mobile Banking and Visa card transactions and real-time gross settlement system (RTGS) payments;
iv. operates the switching computer used to link Visa cards operated through RediATMs and other approved ATM providers to the Parent's computer systems; and
v. provides RediATM monitoring and replenishment services for the Parent's RediATMs.

Ultradata Australia Pty Ltd

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

Capital management

Capital levels are managed to ensure compliance with APRA's 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).
- Pillar 3 – More extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by APRA's 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 Australian Prudential Standards, as detailed in the table below.

2019 **ON-STATEMENT OF FINANCIAL POSITION EXPOSURES**	**Carrying value**	**Risk weighting/ Credit risk mitigation**	**Risk weighted amount**
Cash	1,105,322	0%	-
Deposits in semi-government	116,883,097	0%	-
Deposits in highly rated ADIs	577,810,134	20%	115,562,027
Deposits in less highly rated ADIs	777,679,292	50%	388,839,646
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	5,302,561,512	35%	1,855,896,530
Standard loans secured against eligible residential mortgages over 80% LVR	947,510,314	50%-75%	478,868,858
Other standard mortgage loans	19,170,838	100%	19,170,838
Non-standard mortgage loans	19,299,134	35%-100%	12,262,590
Other loans	184,383,133	0%-100%	184,271,601
Other assets	68,503,298	100%	68,503,298
Total	**8,014,906,074**		**3,123,375,388**

2019 **NON-MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES**	**Notional principal amount**	**Credit conversion factor**	**Credit equivalent amount**	**Risk weighting**	**Risk weighted amount**
Loans approved and not advanced	104,478,795	100%	104,478,796	35%-100%	44,810,254
Redraws available	402,060,125	50%	201,030,062	35%-100%	73,311,512
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	302,368,649	-	-	-	-
Possible contribution to CUFSS Limited	100,000,000	-	-	-	-
Total	**908,907,669**		**305,508,958**		**118,121,866**

MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	**Notional principal amount**	**Credit conversion factor**	**Potential future exposure**	**Current exposure**	**Credit equivalent amount**	**Risk weighted amount**
Residual maturity 1 year or less	210,600,000	0.0%	-	-	-	-
Residual maturity > 1 year to 5 years	66,400,000	0.5%	332,000	-	332,000	66,400
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	**277,000,000**		**332,000**	**-**	**332,000**	**66,400**

Total weighted credit risk exposures	**3,241,563,654**

Market risk

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

Operational risk

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

OPERATIONAL RISK CAPITAL REQUIREMENT FOR RETAIL BANKING

	31-Dec-16	**30-Jun-17**	**31-Dec-17**	**30-Jun-18**	**31-Dec-18**	**30-Jun-19**
Total gross outstanding loans and advances for retail banking	5,056,181,646	5,477,914,787	5,580,317,615	5,993,575,816	6,454,352,881	6,475,311,996
- multiplied by 3.5% scaling factor	176,966,358	191,727,018	195,311,117	209,775,154	225,902,351	226,635,920
- multiplied by 12% risk factor	21,235,963	23,007,242	23,437,334	25,173,018	27,108,282	27,196,310
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**24,526,358**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	903,383,637	1,078,074,273	1,218,730,671	964,941,406	1,193,181,406	1,433,281,868
- multiplied by 3.5% scaling factor	31,618,427	37,732,600	42,655,574	33,772,949	41,761,349	50,164,865
- multiplied by 15% risk factor	4,742,764	5,659,890	6,398,336	5,065,942	6,264,202	7,524,730
Average of the 6 half-year results = Total operational risk capital requirement for commercial banking						**5,942,644**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR ALL OTHER ACTIVITY

Adjusted gross income	2,694,694	4,352,198	2,997,841	4,559,025	3,738,151	3,381,640
- multiplied by 18% risk factor	485,045	783,396	539,611	820,625	672,867	608,695

OPERATIONAL RISK CAPITAL REQUIREMENT FOR OTHER ACTIVITIES

Average of the 3 annual results = Total operational risk capital requirement for all other activity	**1,303,413**
Total operational risk capital requirement	**31,772,415**
Risk weighted asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**397,155,193**
Total credit and operational risk weighted	**3,638,718,847**

Capital resources

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

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

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

CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	2019	2018
Tier 1 Common Equity	523,027,985	503,869,268
Less: Prescribed deductions	(18,734,529)	(19,172,023)
Tier 1 capital	**504,293,456**	**484,697,245**
Tier 2 Reserve for credit losses	14,546,213	13,767,531
Tier 2 Subordinated debt	20,000,000	20,000,000
Total Tier 2 capital	**34,546,213**	**33,767,531**
Total capital	**538,839,669**	**518,464,776**

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

2019	2018	2017	2016	2015
14.81%	**15.65%**	**15.09%**	**15.85%**	**15.74%**

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

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

Risks requiring uplift

The following risks were assessed as being of sufficient significance to require additional capital support over and above the Pillar 1 capital requirement (uplift):

- **Strategic Risk**
  - » Business environment risk
  - » Business opportunities
- **Credit Risk**
  - » Investing – Counterparty default risk
- **Operational Risk**
- **Market Risk**
  - » Liquidity – Lack of diversification of funding sources
  - » Interest rate risk in the banking book

An additional 2% capital was determined to be adequate to cover these risks.

Internal capital adequacy management

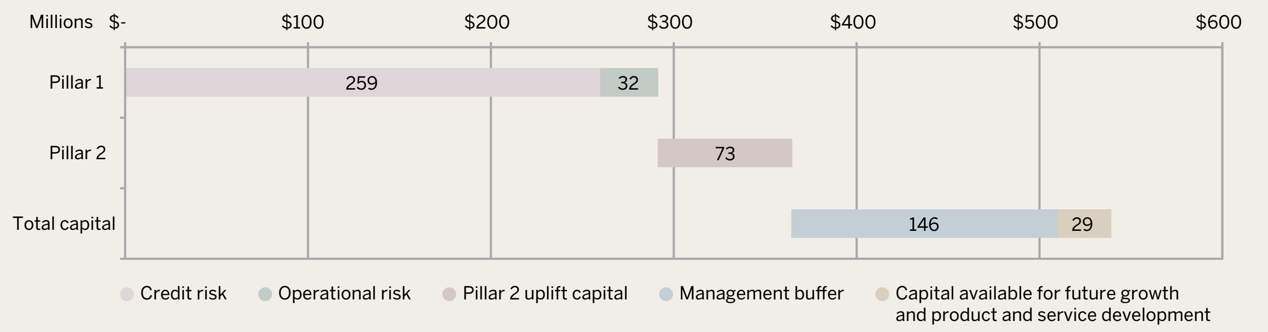
The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Group's forecasts for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

Contingency buffer for business cycle volatility

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

			2019
	RWA	**Minimum capital required**	**% Equivalent of RWA**
Credit risk	3,241,563,654	259,325,093	8.00%
Operational risk	397,155,193	31,772,415	8.00%
Total	**3,638,718,847**	**291,097,508**	**8.00%**
Pillar 2 uplift capital		72,774,377	2.00%
ICAAP capital required		363,871,885	10.00%
Buffer for business cycle volatility		145,548,754	4.00%
Capital available for future growth and product and service development		29,419,030	0.81%
Risk-based capital ratio		**538,839,669**	**14.81%**
Common Equity Tier 1 capital ratio		**504,293,456**	**13.86%**
Tier 1 capital ratio		**504,293,456**	**13.86%**
Tier 2 capital ratio		**34,546,213**	**0.95%**

Categorisation of capital



24. Categories of financial instruments

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

	Note(s)	2019 $'000		2018 $'000	
FINANCIAL ASSETS – CARRIED AT AMORTISED COST		Consolidated	Parent	Consolidated	Parent
Cash on hand and deposits at call		221,719	221,719	70,884	70,884
Receivables from financial institutions	4	1,251,759	1,251,759	933,510	933,510
Receivables	6	8,770	8,408	5,450	5,080
Loans and advances to members	7 & 8	6,499,730	6,499,730	5,997,831	5,997,831
Total carried at amortised cost		**7,981,978**	**7,981,616**	**7,007,675**	**7,007,305**
Cash flow hedge derivative assets – carried at fair value	5	552	552	818	818
Shares in unlisted companies – at fair value through other comprehensive income	9	5,145	5,145	-	-
Available for sale investment – carried at fair value	9	-	-	5,145	5,145
Investments in controlled entities – carried at fair value	10	-	147	-	147
Total financial assets		**7,987,675**	**7,987,460**	**7,013,638**	**7,013,415**
FINANCIAL LIABILITIES – CARRIED AT AMORTISED COST					
Borrowings		-	-	-	-
Wholesale sector funding	14	834,672	834,672	670,879	670,879
Retail deposits	15	6,569,028	6,570,030	5,812,848	5,813,647
Creditors, accruals and settlement accounts	16	26,329	25,883	19,839	19,480
Subordinated debt	19	20,055	20,055	20,064	20,064
Total carried at amortised cost		**7,450,084**	**7,450,640**	**6,523,630**	**6,524,070**
Cash flow hedge derivative liabilities – carried at fair value	5	2,250	2,250	519	519
Total financial liabilities		**7,452,334**	**7,452,890**	**6,524,149**	**6,524,589**

b. Assets measured at fair value

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

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

CONSOLIDATED	2018 $'000	Level 1	Level 2	Level 3
Cash flow hedge derivatives	818	-	818	-
Available for sale investments	5,145	-	-	5,145
Total	**5,963**	**-**	**818**	**5,145**

PARENT	2018 $'000	Level 1	Level 2	Level 3
Cash flow hedge derivatives	818	-	818	-
Available for sale investments	5,145	-	-	5,145
Investments in controlled entities	147	-	-	147
Total	**6,110**	**-**	**818**	**5,292**

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

Cash flow hedge derivatives

The fair value of derivative financial instruments (interest rate swaps) is calculated using 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.

Investments in controlled entities

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

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.

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

CONSOLIDATED 2019 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	152,606	142,700	323,450	234,542	-	-	853,298	834,672
Subordinated debt	-	-	-	-	26,885	-	26,885	20,055
Retail deposits	2,514,877	1,028,537	2,058,138	1,013,356	-	2,352	6,617,260	6,569,028
Creditors, accruals and settlement accounts	26,329	-	-	-	-	-	26,329	26,329
Cash flow hedge derivatives liabilities	2,297	311	857	708	-	-	4,173	2,250
Total financial liabilities	**2,696,109**	**1,171,548**	**2,382,445**	**1,248,606**	**26,885**	**2,352**	**7,527,945**	**7,452,334**

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

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

CONSOLIDATED

2018 Assets $'000	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash on hand and deposits at call	18,851	-	-	52,033	-	-	70,884	70,884
Receivables from financial institutions	143,627	210,130	298,859	280,894	-	-	933,510	933,510
Receivables	2,583	1,399	5,507	20,417	-	-	29,906	5,450
Loans and advances to members	47,981	92,498	410,189	1,625,302	7,541,406	-	9,717,376	5,997,831
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Cash flow hedge derivative asset	883	170	709	266	-	-	2,028	818
Total financial assets	**213,925**	**304,197**	**715,264**	**1,978,912**	**7,541,406**	**5,145**	**10,758,849**	**7,013,638**

2018 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	140,355	81,436	220,901	240,284	-	-	682,976	670,879
Subordinated debt	-	-	-	-	24,642	-	24,642	20,064
Retail deposits	2,311,293	464,033	2,110,404	960,975	-	2,274	5,848,979	5,812,848
Creditors, accruals and settlement accounts	19,839	-	-	-	-	-	19,839	19,839
Cash flow hedge derivatives liabilities	529	50	191	233	-	-	1,003	519
Total financial liabilities	**2,472,016**	**545,519**	**2,331,496**	**1,201,492**	**24,642**	**2,274**	**6,577,439**	**6,524,149**

PARENT

2018 Assets $'000	**Within 1 month**	**> 1 to 3 months**	**> 3 to 12 months**	**> 1 to 5 years**	**> 5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash on hand and deposits at call	18,851	-	-	52,033	-	-	70,884	70,884
Receivables from financial institutions	143,627	210,130	298,859	280,894	-	-	933,510	933,510
Receivables	2,213	1,399	5,507	20,417	-	-	29,536	5,080
Loans and advances to members	47,981	92,498	410,189	1,625,302	7,541,406	-	9,717,376	5,997,831
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	883	170	709	266	-	-	2,028	818
Total financial assets	**213,555**	**304,197**	**715,264**	**1,978,912**	**7,541,406**	**5,292**	**10,758,626**	**7,013,415**

2018 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	140,355	81,436	220,901	240,284	-	-	682,976	670,879
Subordinated debt	-	-	-	-	24,642	-	24,642	20,064
Retail deposits	2,312,091	464,034	2,110,404	960,975	-	2,274	5,849,778	5,813,647
Creditors, accruals and settlement accounts	19,480	-	-	-	-	-	19,480	19,480
Cash flow hedge derivatives liabilities	529	50	191	233	-	-	1,003	519
Total financial liabilities	**2,472,455**	**545,520**	**2,331,496**	**1,201,492**	**24,642**	**2,274**	**6,577,879**	**6,524,589**

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

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

CONSOLIDATED

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

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

PARENT

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

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

CONSOLIDATED

2018 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	18,851	52,033	70,884
Receivables from financial institutions	652,616	280,894	933,510
Receivables	5,450	-	5,450
Loans and advances to members	289,333	5,703,358	5,992,691
Available for sale investments	-	5,145	5,145
Cash flow hedge derivative asset	818	-	818
Total financial assets	**967,068**	**6,041,430**	**7,008,498**

2018 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	440,254	230,625	670,879
Subordinated debt	-	20,064	20,064
Retail deposits	4,860,550	952,298	5,812,848
Creditors, accruals and settlement accounts	19,839	-	19,839
Cash flow hedge derivative liabilities	519	-	519
Total financial liabilities	**5,321,162**	**1,202,987**	**6,524,149**

PARENT

2018 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	18,851	52,033	70,884
Receivables from financial institutions	652,616	280,894	933,510
Receivables	5,080	-	5,080
Loans and advances to members	289,333	5,703,358	5,992,691
Available for sale investments	-	5,145	5,145
Investments in controlled entities	-	147	147
Cash flow hedge derivatives asset	818	-	818
Total financial assets	**966,698**	**6,041,577**	**7,008,275**

2018 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	440,254	230,625	670,879
Subordinated debt	-	20,064	20,064
Retail deposits	4,861,349	952,298	5,813,647
Creditors, accruals and settlement accounts	19,480	-	19,480
Cash flow hedge derivative liabilities	519	-	519
Total financial liabilities	**5,321,602**	**1,202,987**	**6,524,589**

27. Interest rate change profile of financial assets and liabilities

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

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

2019 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	152,546	142,243	318,580	221,303	-	834,672
Subordinated debt	-	20,055	-	-	-	20,055
Retail deposits	2,514,504	1,024,882	2,030,785	996,505	2,352	6,569,028
Creditors, accruals and settlement accounts	-	-	-	-	26,329	26,329
Cash flow hedge derivative liabilities	2,250	-	-	-	-	2,250
On-statement of financial position	2,669,300	1,187,180	2,349,365	1,217,808	28,681	7,452,334
Undrawn loan commitments (see Note 29a, 29b, 29c)	808,908	-	-	-	-	808,908
Total financial liabilities	**3,478,208**	**1,187,180**	**2,349,365**	**1,217,808**	**28,681**	**8,261,242**

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

2019 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	152,546	142,243	318,580	221,303	-	834,672
Subordinated debt	-	20,055	-	-	-	20,055
Retail deposits	2,515,506	1,024,882	2,030,785	996,505	2,352	6,570,030
Creditors, accruals and settlement accounts	-	-	-	-	25,883	25,883
Cash flow hedge derivative liabilities	2,250	-	-	-	-	2,250
On-statement of financial position	2,670,302	1,187,180	2,349,365	1,217,808	28,235	7,452,890
Undrawn loan commitments (see Note 29a, 29b, 29c)	808,908	-	-	-	-	808,908
Total financial liabilities	**3,479,210**	**1,187,180**	**2,349,365**	**1,217,808**	**28,235**	**8,261,798**

CONSOLIDATED

2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	17,541	52,033	-	-	1,310	70,884
Receivables from financial institutions	463,075	384,302	86,133	-	-	933,510
Receivables	-	-	-	-	5,450	5,450
Loans and advances to members	2,769,704	126,470	719,296	2,376,999	222	5,992,691
Available for sale investments	-	-	-	-	5,145	5,145
Cash flow hedge derivatives asset	818	-	-	-	-	818
Total financial assets	**3,251,138**	**562,805**	**805,429**	**2,376,999**	**12,127**	**7,008,498**

2018 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Borrowings	-	-	-	-	-	-
Wholesale sector funding	140,229	81,178	218,847	230,625	-	670,879
Subordinated debt	-	20,064	-	-	-	20,064
Retail deposits	2,310,966	463,071	2,086,513	950,024	2,274	5,812,848
Creditors, accruals and settlement accounts	-	-	-	-	19,839	19,839
Cash flow hedge derivative liabilities	519	-	-	-	-	519
On-statement of financial position	2,451,714	564,313	2,305,360	1,180,649	22,113	6,524,149
Undrawn loan commitments (see Note 29a, 29b, 29c)	938,806	-	-	-	-	938,806
Total financial liabilities	**3,390,520**	**564,313**	**2,305,360**	**1,180,649**	**22,113**	**7,462,955**

PARENT

2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	17,541	52,033	-	-	1,310	70,884
Receivables from financial institutions	463,075	384,302	86,133	-	-	933,510
Receivables	-	-	-	-	5,080	5,080
Loans and advances to members	2,769,704	126,470	719,296	2,376,999	222	5,992,691
Available for sale investments	-	-	-	-	5,145	5,145
Investments in controlled entities	-	-	-	-	147	147
Cash flow hedge derivative asset	818	-	-	-	-	818
Total financial assets	**3,251,138**	**562,805**	**805,429**	**2,376,999**	**11,904**	**7,008,275**

2018 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	140,229	81,178	218,847	230,625	-	670,879
Subordinated debt	-	20,064	-	-	-	20,064
Retail deposits	2,311,764	463,072	2,086,513	950,024	2,274	5,813,647
Creditors, accruals and settlement accounts	-	-	-	-	19,480	19,480
Cash flow hedge derivative liabilities	519	-	-	-	-	519
On-statement of financial position	2,452,512	564,314	2,305,360	1,180,649	21,754	6,524,589
Undrawn loan commitments (see Note 29a, 29b, 29c)	938,806	-	-	-	-	938,806
Total financial liabilities	**3,391,318**	**564,314**	**2,305,360**	**1,180,649**	**21,754**	**7,463,395**

28. Fair value of financial assets and liabilities

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

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

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

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

2018 Assets $'000	CONSOLIDATED Fair value	Book value	Variance	PARENT Fair value	Book value	Variance
Cash on hand and deposits at call	70,884	70,884	-	70,884	70,884	-
Receivables from financial institutions	934,799	933,510	1,289	934,799	933,510	1,289
Receivables	5,450	5,450	-	5,080	5,080	-
Loans and advances to members	5,999,590	5,997,831	1,759	5,999,590	5,997,831	1,759
Available for sale investments	5,145	5,145	-	5,145	5,145	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative asset	818	818	-	818	818	-
Total financial assets	**7,016,686**	**7,013,638**	**3,048**	**7,016,463**	**7,013,415**	**3,048**

2018 Liabilities $'000	CONSOLIDATED Fair value	Book value	Variance	PARENT Fair value	Book value	Variance
Borrowings	-	-	-	-	-	-
Wholesale sector funding	669,278	670,879	(1,601)	669,278	670,879	(1,601)
Subordinated debt	20,064	20,064	-	20,064	20,064	-
Retail deposits	5,815,758	5,812,848	2,910	5,816,557	5,813,647	2,910
Creditors, accruals and settlement accounts	19,839	19,839	-	19,480	19,480	-
Cash flow hedge derivative liabilities	519	519	-	519	519	-
Total financial liabilities	**6,525,458**	**6,524,149**	**1,309**	**6,525,898**	**6,524,589**	**1,309**

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. Discounted cash flows were used to calculate the fair value of NCDs and term deposits from other financial institutions. The rates applied to give effect to the discount of cash flows were 1.21%–1.56% (2018: 2.12%–2.77%). Independent revaluations were used for fixed income security trading margins.

Loans and advances

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

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

The rates applied to give effect to the discount of cash flows were 3.55%–11.50% (2018: 3.69%–11.50%).

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

Wholesale sector funding and retail deposits

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

- **Wholesale sector funding:** The rates applied to give effect to the discount of cash flows were 1.32%–1.98% (2018: 2.12%–3.67%).
- **Retail deposits:** The rates applied to give effect to the discount of cash flows were 1.09%–2.39% (2018: 1.38%–2.83%).

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.

29. Financial commitments

a. Outstanding loan commitments

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Loans approved but not funded	**104,479**	**104,479**	**207,685**	**207,685**

b. Loan redraw facilities

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Loan redraw facilities available	**402,060**	**402,060**	**423,979**	**423,979**

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows:	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Total value of facilities approved	396,856	396,856	403,817	403,817
Less: Amount advanced	(94,487)	(94,487)	(96,675)	(96,675)
Net undrawn value	**302,369**	**302,369**	**307,142**	**307,142**

d. Future capital commitments

The Group has entered into a contract to purchase plant and property for which the amount is to be paid over the following periods:	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	1	1	103	103
Total	**1**	**1**	**103**	**103**

e. Computer capital commitments

	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	-	-	194	194
Total	**-**	**-**	**194**	**194**

f. Lease expenditure commitments

Operating leases on property occupied by the group:	2019 $'000		2018 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	212	212	426	426
Later than 1 year but not 2 years	71	71	204	204
Later than 2 years but not 5 years	194	194	-	-
Over 5 years	-	-	-	-
Total	**477**	**477**	**630**	**630**

Operating leases are in respect of property used to provide office space for staff. There are no contingent rentals applicable to leases taken out. Lease terms are between 2 and 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the Group to limit the execution of further leases or borrowing of funds.

30. Standby borrowing facilities

The Group has borrowing facilities as follows:

	2019 $'000		
	Gross	Current borrowings	Net available
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**

	2018 $'000		
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**

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

Q.T Travel Pty Ltd has bank overdraft facilities amounting to $30,000 with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 with the Parent (eliminated upon consolidation). This may be drawn upon at any time, and terminated at any time at the option of the financial institution. At 30 June 2019, not one of the facilities was used. Interest rates are variable.

31. Contingent liabilities

Liquidity support scheme

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

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

32. Disclosures by directors, other key management personnel (KMP) and related parties

a. Remuneration of key management personnel (KMP)

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

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

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

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

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

The KMP is deemed to comprise the directors and the eight members of the executive management of the Parent (2018–2019) who are responsible for the day-to-day financial and operational management of the Group.

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

	2019 $'000			2018 $'000		
	Directors	Other Key Management Persons	Total	Directors	Other Key Management Persons	Total
a. Short-term employee benefits	708	3,432	4,140	679	3,273	3,952
b. Post-employment benefits – superannuation contributions	87	267	354	104	352	456
c. Other long-term benefits – net increases in long service leave provision	-	719	719	-	162	162
d. Termination benefits	-	-	-	-	-	-
e. Share-based payment	-	-	-	-	-	-
Total	**795**	**4,418**	**5,213**	**783**	**3,787**	**4,570**

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

b. Loans to directors and other KMP

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

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

	2019 $'000			2018 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	324	-	179	630	-	173
Balance	1,449	-	28	1,938	-	37
Amounts disbursed or facilities increased in the year	-	-	4	-	-	8
Interest and other revenue earned	41	-	6	63	-	6

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

	2019 $'000	2018 $'000
Total value term and savings deposits from Directors and other KMPs	6,853	7,416
Total interest paid on deposits to Directors and other KMPs	118	78

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

d. Transactions with related entities

The following table provides the amount of transactions that were entered into with related parties for the relevant financial year. These transactions were all carried out under normal commercial terms and, where possible, are benchmarked against industry averages.

2019 $'000	Sales to related parties	Purchases from related parties	Other transactions
Q.T. Travel Pty Ltd	-	-	-

2018 $'000	Sales to related parties	Purchases from related parties	Other transactions
Q.T. Travel Pty Ltd	71	-	-

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

2018 $'000	Sales to related parties	Purchases from related parties	Other transactions
Tertiary Travel Service Pty Ltd	316	-	-

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

e. Transactions with related parties

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

An attendance fee was paid to Graeme Green as Chair of the Members Committee, amounting to $1,272 (2018: $2,332). Graeme Green is the spouse of Linda Green.

33. Segmental reporting

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

34. Transfers of financial assets

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

Securitised loans retained on-statement of financial position

EdSec Funding Trust No.1 has been established as a mechanism to obtain liquid funds from the Reserve Bank of Australia.

The value of securitised loans that do not qualify for derecognition are set out below. All loans are variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year the Parent assigned an additional $709 million in loans (2018: $402 million) to the trust.

	2019 $'000	2018 $'000
Total amount of securitised loans under management	1,162,287	757,584

35. Notes to statement of cash flows

a. Reconciliation of cash

	2019 $'000		2018 $'000	
CASH INCLUDES CASH ON HAND AND DEPOSITS AT CALL WITH OTHER FINANCIAL INSTITUTIONS AND COMPRISES	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Cash on hand and deposits at call	221,719	221,719	70,884	70,884

b. Reconciliation of cash from operations to accounting profit

	2019 $'000		2018 $'000	
THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO PROFIT AFTER TAX	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Profit after income tax	27,061	27,064	31,742	31,799
Add (less):				
- Provision for impairment and bad debts written off (net)	1,854	1,854	2,105	2,105
- Depreciation of property, plant and equipment	6,437	6,434	6,517	6,517
- Provision for employee entitlements	3,085	3,085	712	712
- Other provisions	3,966	3,946	432	481
- Loss on disposal of plant and equipment (net)	(432)	(432)	(19)	(19)
- Bad debts recovered	(1,115)	(1,115)	(1,076)	(1,076)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	(425)	(425)	234	231
- Accrued expenses and sundry creditors	210	211	123	123
- Interest receivable	(742)	(743)	498	499
- Interest payable	7,591	7,591	1,509	1,509
- Other income receivable	(113)	(113)	21	21
- Unearned income	(135)	(134)	123	123
- Increases in loans and advances to members	(489,873)	(489,873)	(518,955)	(518,955)
- Increase in retail deposits	752,980	753,091	349,206	349,141
- Provision for income tax	(130)	(139)	430	430
- Deferred tax assets	(811)	(894)	(352)	(390)
Net cash flows from operating activities	**309,408**	**309,408**	**(126,750)**	**(126,749)**

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

36. Events occurring after balance date

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

37. Corporate information

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

Directors' declaration

For the year ended 30 June 2019

Directors' declaration

The Directors of Teachers Mutual Bank Limited declare that:

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

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

(b) give a true and fair view of the financial position of the Group as at 30 June 2019 and performance for the year ended on that date.

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

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos, Chairman

Signed and dated this 26 August 2019

Independent Auditor's Report

For the year ended 30 June 2019

Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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 2019, 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 financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We confirm as at 23 August 2019 we are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Grant Thornton

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, 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 and for 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/ar4.pdfn. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner – Audit & Assurance

Sydney, 26 August 2019

Need more information?

Just call 13 12 21 between 8am–7pm on weekdays and 9am–3pm on Saturday.

Registered office: Teachers Mutual Bank Limited
ABN: 30 087 650 459 | **AFSL/Australian Credit Licence:** 238981
Address: 28-38 Powell Street Homebush NSW 2140 or PO Box 7501 Silverwater NSW 2128
Telephone: 13 12 21 | **Fax:** (02) 9704 8205 | **Email:** enquiry@tmbank.com.au

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

www.tmbl.com.au