

A full-page background image showing a person standing on a rocky cliff edge, looking out over a vast landscape of trees and fields under a dramatic, cloudy sky at sunset or sunrise. The scene is bathed in warm, golden light.

Annual Report

2025

About Teachers Mutual Bank Limited

We are Teachers Mutual Bank Limited, one of Australia's largest member-owned banks, helping almost 219,000 Australians working in the education, health, and emergency services industries.

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

Today, we have more than 600 employees who are committed to delivering exceptional services, competitive rates, and supporting the industries that support us.

As a mutual bank, we are 100% owned by our members, meaning instead of profits being distributed to shareholders and investors through dividends, our profits are reinvested to benefit our members and their communities.

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

As we have always done, we will keep evolving and adapting to help our members improve their financial wellbeing and ensure our bank remains strong and sustainable into the future.

**We are Teachers Mutual Bank Limited:
banking for good.**





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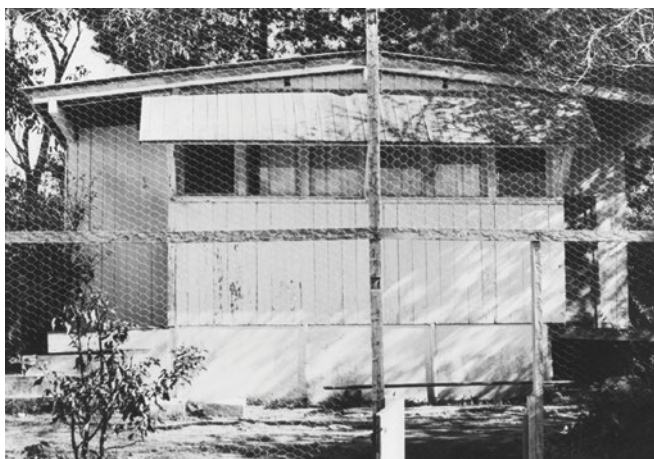
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Teachers Mutual Bank Limited acknowledges the Traditional Custodians of Country through Australia and their continuing connection to land, water and communities. We pay our respects to Aboriginal and Torres Strait Islander cultures, their Elders past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

Our journey

Almost 60 years ago, our bank was founded by a group of volunteers who wanted to create a positive alternative to the major banks. Their innovation, tenacity, and spirit provided the opportunity for members to achieve home ownership and reach their financial goals. Six decades later, our membership has become broader and our commitment to member-owned banking, delivering great service, and competitive rates remains as strong as ever.



▲ Pictured clockwise from left: Tennis Shed where it all started – 1966, Sharyn Evans and team, 15th Annual AGM, Homebush Tellers.

1966 Our bank is established by volunteers
Created by teachers, for teachers, our bank was originally named Hornsby Teachers Credit Union

1967 We change our name to NSW Teachers Credit Union
We have 29 members and \$644 in assets

1976 We celebrate a decade of operation
Our bank has 16 employees, nearly 13,000 members and \$9.7 million in assets

1991 Australia's largest credit union
Surpassing \$1 billion in loans to members, we have 65,448 members, and more than \$307 million in assets

1992 We expand our membership
We open our membership to include members' grandparents and grandchildren

2000 Launch of 24/7 banking
Our newly launched website provides access to 24-hour, seven-day-a-week home banking services for our 98,452 members

2006 Our first sustainability report is published
With more than \$1.7 billion in assets, we publish our first sustainability report and commit to reducing energy and water consumption while contributing 3% of after-tax profits towards social responsibility

2008 We merge with TAFE and Community Credit Union
We have \$2.4 billion in assets and open an office in Perth

2012 We become Teachers Mutual Bank
With member and regulatory approval, we change our retail name to Teachers Mutual Bank, operated by Teachers Mutual Bank Limited

2014 We are named amongst the World's Most Ethical companies
We are proudly named one of the World's Most Ethical Companies by the Ethisphere Institute and retain this accolade for a decade

2015 We merge with UniCredit
Merging with Unicredit, we add a new brand, Unibank, to the retail bank brands operated by Teachers Mutual Bank Limited

2016 We merge with Fire Brigades Employees Credit Union
Expanding our membership base, we create a new brand, Firefighters Mutual Bank, which is added to the suite of retail bank brands operated by Teachers Mutual Bank Limited

2021 We merge with Firefighters Credit Co-operative and Pulse Credit Union
Expanding our membership base again, we complete two mergers and add a new brand, Health Professionals Bank, to the retail bank brands operated by Teachers Mutual Bank Limited

2022 We achieve B Corp Certification
Reflecting our commitment to verified environmental and social performance, public transparency, and legal accountability, we achieve B Corp Certification for the first time

2024 Teachers Mutual Bank tops Roy Morgan's customer satisfaction rankings
Achieving a customer satisfaction score of 95%, we are ranked as the top bank in Australia for the most satisfied main financial institution customers*

2025 We are named Customer-Owned Institution of the Year
Teachers Mutual Bank is named Customer-Owned Institution of the Year in the Money magazine Consumer Finance Awards and we re-certify as a B Corp

Today, Teachers Mutual Bank Limited operates four brands:

Teachers Mutual Bank, Health Professionals Bank, Firefighters Mutual Bank, and UniBank.

*The Roy Morgan Customer Satisfaction Consumer Banking in Australia May 2024 report.

FY25 performance highlights



\$36.7 million

Net profit after tax



\$9.2 billion

Home loan portfolio



\$9.2 billion

Retail deposits



\$11.5 billion

Total assets



17.01%

Capital adequacy ratio

Our members

+**32**
Net promoter score

Almost
220,000
total members and more than
161,000 active members

Named Customer-Owned Financial Institution of the Year in Money Magazine Consumer Finance Awards for 2025

Helped **960**
members into their first home

Improved
our mobile banking app across all brands

Invested
in our Contact Centre team and technology

Our people

50% of executive team and
48% of managers are female

Launched
internal Young Professionals Network

Refreshed
our values

30
internal promotions

349
of our people attended formal training courses

Banking for good

More than
\$1.1 million
invested in our communities

Named a
Responsible Investment Leader
by Responsible Investment Association Australasia

Celebrated **10** years of partnership with Cufa's Children's Financial Literacy Program

Re-certified as a **B Corp** with second highest B Impact Assessment score of all banks in Australia

Supported
30 teachers
to take part in Bell Shakespeare's year-long mentorship

Teachers Mutual Bank named amongst Roy Morgan's **most trusted brands**

Message from the Chair and CEO

As a mutual bank dedicated to serving members who contribute so much to society, we are committed to investing in what matters to our members and our communities. Reflecting on the last 12 months, we are proud of the impact we've had and the progress we have made.

The last financial year was one of strong delivery and significant progress as we position our bank to thrive in a highly competitive and challenging external operating environment. Against the backdrop of heightened cost-of-living pressures, we remained focused on supporting our members and providing value while delivering meaningful change that sets our bank up for continued success.

Making banking easier for our members

During the year, we accelerated progress against our ongoing strategy to modernise our bank, drive simplification, and deliver service improvements that benefit our members and employees alike. We progressively introduced new product features and enhanced member experiences in areas that really matter – service, safety, and simplicity across the bank.

Key initiatives within this program of work included the launch of a new security feature to check if account details look right when making a first-time payment, helping to prevent member financial loss due to mistaken payments and potential scams. We enhanced our mobile banking apps to offer members a better digital experience and greater control over their accounts. We made significant investments into our Contact Centre, growing the team and expanding the range of services they can provide to members while also upgrading our phone technology to improve performance and ultimately, member outcomes.

Our people are the heart of our organisation

Throughout the year, we progressed our property footprint reshape, consolidating our real estate assets and releasing investment capital to support the modernisation of our branches and offices. This approach has delivered the successful relocation of our Newcastle branch to a more convenient central location at Charlestown Square for the benefit of our members.

We continued to deliver high member satisfaction levels with our Net Promoter Score (NPS), remaining significantly above the average for the major banks. In January this year, we started recording NPS for our branch services. Since that time, we recorded consistently high scores, reflecting the value our members place on our personalised face-to-face services. Member satisfaction levels were echoed in external accolades, including the Money magazine Consumer Finance Awards, where we were named Customer-Owned Financial Institution of the Year.

When the RBA reduced official cash rates in February and May, we announced interest rate reductions on the same day and provided certainty to our home loan members. Similarly, we responded quickly to Cyclone Alfred, bushfires and flooding events, announcing a new financial relief program and ensuring our members could access vital support and funds when they were needed.



▲ Pictured left to right: Anthony Hughes (CEO) and Andrew Kearnan (Chair).

Our people and culture

Our people are the heart of our organisation, and this year they once again showed resilience and commitment as the bank continues to transform. Employee engagement remained steady, and we renewed our focus on culture by rolling out refreshed values to guide leadership, collaboration and delivery across the bank.

We continue to foster a supportive and inclusive workplace that brings people and perspectives together to better deliver on our purpose and meet the diverse needs of our members. Across the bank, we marked important dates and celebrated initiatives including National Reconciliation Week, Harmony Day, International Women's Day, and R U OK? Day, while also relaunching our Employee Volunteer Impact Days to re-energise our focus on volunteering and community connection.

We continued our progress towards achieving gender diversity at all levels of the bank and are pleased to report that 56% of our Board, 50% of our Executive team, and 48% of managers are female. While we've made great strides this year, we know we can't stand still. We are committed to building an inclusive leadership pipeline that reflects the communities we serve.

Board oversight and renewal

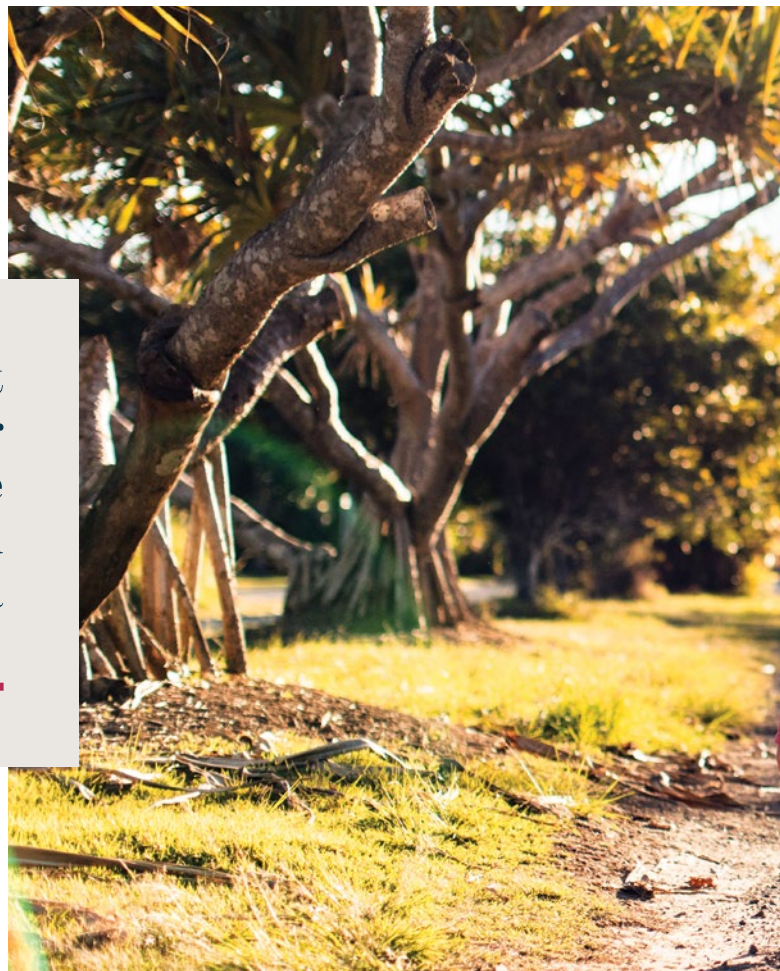
This year saw some important changes to our Board. Maree O'Halloran retired from the position of Chair in February 2025, following 15 years of dedicated service, which included five years as Chair. Maree led the bank through significant organisational milestones, including several mergers and the pandemic, and we would like to take this opportunity to thank Maree for her leadership, dedication and steadfast service to our bank and members over many years.

Following Maree's retirement, Deputy Chair Andrew Kearnan was appointed as Chair of our Board. With a career spanning 35 years in financial services, Andrew is a respected leader with deep commercial expertise in the banking, insurance, and investment sectors. He has been a Board member since 2020.

In May, Professor the Honourable Verity Firth AM was appointed to the role of Deputy Chair. This latest appointment builds on Verity's five years of service as a Director on our Board, bringing both broad experience and specialist expertise in education and social impact. Also in May, we farewelled Michael O'Neill, who retired after 12 years as a Director. We would like to thank Michael for his service and contribution to the bank.

In September last year, Marianne Perkovic joined our Board as a Non-Executive Director. Marianne has extensive financial services and consulting experience and has also been appointed Chair of the Board's Risk & Compliance Committee and is a member of the Audit Committee.

**We are proud of what
we have achieved for our
members this year – we are
among the most trusted
brands in Australia**



Business performance

Our financial performance and underlying strength provide a sound foundation for further investment in essential member services and protections as we continue to modernise and simplify our bank and improve the experience we offer to members.

Total net profit after tax for the bank increased 50% to \$36.7 million, which is a strong result and in line with our expectations. Our capital adequacy ratio increased to 17.01% (+1.42%), which is a strong capital position to support our continued investment in transformation programs while navigating economic uncertainty in the future.

We delivered \$1.5 billion in home loan approvals, while the total home loan portfolio remained relatively flat year-on-year at \$9.2 billion. Retail deposit balances increased to \$9.2 billion (+\$32 million).

Our net interest margin increased to 1.86% (+0.21%) as we continued to balance member value and the long-term sustainability of the bank.

At the end of FY25, our total number of members was almost 220,000 and our number of active members was more than 161,000.

Banking for good

Reaffirming our commitment to high standards of social and environmental performance, transparency, and accountability, we successfully re-certified as a B Corporation, achieving the second-highest overall B Impact Assessment score of all certified mutual banks in Australia. As a certified B Corp, our bank is one of eight Australian mutual banks and 58 banks worldwide that are using their business as a force for good.

Additionally, our broad-based approach to investing, which factors in people, society, the environment, as well as financial performance and risks when making and managing investments, was recognised by Responsible Investment Association Australasia (RIAA), which named our bank as a Responsible Investment Leader.

More broadly, customer-owned banks were once again named Australia's most trusted banking sector in the latest Roy Morgan Bank Trust and Distrust Scores Report.

Supporting our sector and communities

We continued our active participation in and support of the broader mutual industry. Our activities included attending Hike the Hill to engage with Australian Government stakeholders on the importance of the mutual sector in providing an alternative to the major banks.

*Internal NPS data collected at 30 June 2025



We also marked 10 years of successful partnership with the Credit Union Foundation of Australia (Cufa) in delivering financial literacy education to students and teachers across Cambodia. As the Government of Cambodia now integrates financial literacy into the national school curriculum, Cufa's program is drawing to a close, but its impact continues through the 45,000 children and 1,000 teachers who participated in the program.

Closer to home, we proudly continued to support the professions our members represent through scholarships, sponsorships, and bursaries, and were recognised in the 2024 GoodCompany Awards for our contribution to community and social impact.

Across the bank, our commitment to reconciliation continues to strengthen. This year, we registered for our Innovate Reconciliation Action Plan (RAP). Development of this plan over the coming year will continue as we explore new opportunities to support reconciliation.

Future-ready

The success of the past year has proven our ability to manage transformation, stay true to our strategy and deliver great outcomes for our members.

We are proud of what we have achieved for our members this year – we are among the most trusted brands in Australia,

we are one of the largest mutual banks in the country, we have incredible advocacy from our membership base, and we are financially strong. This combination positions us to further transform and ensure the long-term sustainability of our bank in a sector that is rapidly consolidating.

In the year ahead, we will continue to prepare for an important new chapter as we work towards our proposed merger with Australian Mutual Bank. This merger is an opportunity to build a stronger, more resilient bank – one that continues to deliver on our purpose of banking for good and brings our model of banking to more Australians. We look forward to bringing our proposed merger with Australian Mutual Bank to our members for approval in 2026.

With a strong strategy, passionate people and solid foundations, we are confident in our direction, and optimistic about the future of our bank and our sector.

Thank you to our members, our people, and our partners for your continued support. Together, we are creating a future-ready bank that puts members first, invests in communities, and delivers value where it matters most.

Andrew Kearnan

Andrew Kearnan
Chair

Anthony Hughes

Anthony Hughes
CEO

Our proposed merger with Australian Mutual Bank

Stronger together

In December 2024 we announced a Memorandum of Understanding to explore merging with Australian Mutual Bank as a strategic step towards creating a stronger, more resilient bank for our members.

In May this year, after a comprehensive due diligence process, the Board approved recommending the merger with Australian Mutual Bank to members. Bringing our two banks together will create an organisation with \$13.4 billion in total assets and approximately 280,000 members, helping to ensure our long-term sustainability and continued growth as a 100% member-owned bank.

Collectively, Roy Morgan research shows that mutual banks have the most satisfied customers. However, as banking technology, regulation, and member expectations continue to evolve, mutual banks like ours are under increasing pressure to deliver competitive products while also making necessary investments into regulation and compliance, technology and cybersecurity, and improved member banking services.

While these challenges are not new, they are accelerating. Consolidation within the mutual banking sector is occurring at pace. In recent years, eight of the largest mutual banks have merged or announced intentions to merge as these organisations look to embrace the benefits and long-term sustainability that come with increased scale.

Bringing banking for good to more Australians

Merging our two trusted and financially sound banks will create a stronger, future-ready bank that can deliver more benefits to more members while helping to ensure our bank's sustainability well into the future.

Australian Mutual Bank is smaller than Teachers Mutual Bank Limited; however, it has strong cultural and strategic alignment and will bring significant capital to the Merged Bank. Like us, Australian Mutual Bank is committed to supporting its communities and delivering value for members. This combination of cultural and strategic factors will enable us to continue offering a bold alternative to the major banks while retaining the member-first service and day-to-day banking experience you know and value.

About Australian Mutual Bank

Australian Mutual Bank is member-owned with a rich history of serving its communities with ethical and sustainable banking products. Originally founded to serve employees in the transport, local government and energy sectors, Australian Mutual Bank has been providing personalised banking services for more than 70 years. Today, the bank supports approximately 60,000 members while making a positive impact in its local communities.

Sharing our commitment to meeting high standards of social and environmental performance, transparency and accountability, Australian Mutual Bank has also recently re-certified as a B Corp.



Our merger history

Over the years, our bank has completed a number of mergers with other mutual banks.

This has made us stronger and enabled us to share our way of banking with more professions and more Australians.

Today, Teachers Mutual Bank Limited operates the retail brands: Teachers Mutual Bank, Health Professionals Bank, Firefighters Mutual Bank, and UniBank. Australian Mutual Bank will be another retail brand in our portfolio.

Both Teachers Mutual Bank Limited and Australian Mutual Bank are 100% member-owned, and this will not change if we merge

TEACHERS MUTUAL BANK LIMITED



Our commitments for the Merged Bank

This merger is an ideal opportunity. We are choosing to come together from a position of strength.

Our Board believes that merging with Australian Mutual Bank is in the best interests of our members. This strategic decision to come together will make us stronger and future-ready while holding true to our values.

Our members

100% member-owned: We will remain 100% member-owned, meaning our profits are reinvested into our organisation for the benefit of members and their communities.

Lower fees and more value: Members will benefit from a broader range of competitive financial products and services—plus savings from lower fees.

More branches: There will be no branch closures as a result of the merger. Post-merger, members will have access to nearly double the number of branches, with locations from both banks available to all members.

No change to account or banking details: There will be no change to how our members do their banking. Member numbers, account numbers, BSB, and payment arrangements used by our members will remain the same.

Improved Australian-based customer service: With contact centre teams based in Sydney, Perth, and across Australia, we will continue offering and delivering the great, award-winning service members know and trust.

Familiar brands: Upon merging, the Teachers Mutual Bank, Health Professionals Bank, Firefighters Mutual Bank, UniBank and Australian Mutual Bank brands will operate alongside each other.

More investment in smarter, safer banking: We will invest more in digital and mobile banking, boost customer support, and strengthen our investment against scams, fraud, and cyber threats.

Banking for good: We will retain our commitment to B Corp Certification and continue to honour the industries of education, health, and emergency services through a range of programs and development opportunities.

Our people

Australian-based: Our operations and teams will remain 100% Australian-based.

Greater opportunity: As a larger, stronger bank, we will offer broader opportunities for our people to grow and build fulfilling careers within our bank. We have made a commitment that there will be no forced redundancies as a result of the merger.

A great place to work: By investing in modern technology and workspaces, we will aim to create a better everyday employee experience and attract strong talent in the industry.

Continued giving back: Every team member will have access to two paid volunteer days a year so they can support causes and communities close to their hearts.

Modern ways of working: We will continue to offer flexible, hybrid work practices and supportive workplace policies for our people.

Banking for good

Independent verification: We will retain our commitment to B Corp Certification, an independent designation of high standards of verified social and environmental performance.

EV transition: We are committed to completing the transition of our national car fleet to electric vehicles by 2027.

Investment in education: We will continue partnerships with universities to support nursing and teaching students with their undergraduate and postgraduate studies.

Investment in our communities: We will continue to invest in partnerships, sponsorships, and local initiatives that support the industries and communities we serve.

Broader community support: We will give approximately \$250,000 to the Australian Mutuals Foundation annually, continuing Australian Mutual Bank's support.



Having your say in our future

Both Teachers Mutual Bank Limited and Australian Mutual Bank will bring the merger proposal to a member vote at separate Special General Meetings in 2026.

Voting information and a Member Information Booklet will be provided to members next year. Information will also be available on the Teachers Mutual Bank Limited website at tmbl.com.au/merger

Each Director
intends to vote
in favour of the
merger resolution
and recommends
that members
also vote in favour

Our members

Helping our members improve
their financial wellbeing

Our members' financial wellbeing is at the heart of what we do. Over the last year, we welcomed 7,491 new members to the bank and focused on making our banking experience simpler and safer for members through product and service upgrades and continued investment in our core technology and systems.

Making everyday banking easier

In FY25, we delivered improvements across our banking systems, scam and fraud detection measures, and member-facing technology to improve the experience for our members across our four retail brands.

The introduction of new technology, including IDVerse®, has simplified how members verify themselves when calling our Contact Centre. Over the past year, we have reduced average wait times in the Contact Centre by more than two minutes, and in the coming year, we will continue upgrading our phone technology to deliver a smoother experience for both members and our people.

We also made banking easier for our members who use our mobile banking apps to manage their money. Offering a simpler, more customisable experience, improvements included easier access to the home screen with instant log-in, intuitive navigation, enhanced card controls for better security, and new information about spending patterns and categories to help members manage their money.

Throughout the year, we also progressed our ongoing property footprint reshape, relocating our Newcastle branch to new, modern and more convenient premises at Charlestown Square which has seen increased branch visits from members of all ages.

Delivering for our members

At our 2024 Annual General Meeting, our members endorsed an amendment to the bank's Constitution, removing the \$10 subscription price that was payable on joining the bank. This has supported us in delivering a better member onboarding experience to more than 5,700 new members between November and June.

In October, we launched a new savings product, Essential Saver, offering members a straightforward saving solution with a competitive rate. This product has proven popular with new and existing members as they work towards achieving their financial goals. In FY26, we will launch another new saving account and enhancements to our youth saving product to offer members up to the age of 30 a competitive interest rate to kick start their savings.

In February and May, we moved quickly after the RBA's cash rate decisions to announce reductions to our variable home loan interest rates and provide certainty to our home loan members.



▲ Branch Manager, Kylie Cosgrove and CEO Anthony Hughes opening our new Newcastle branch.

Helping our members into homes

This year, we helped 3,752 members buy a new home or refinance an existing property. Across our home loan portfolio, more than a quarter of our members are more than a year ahead on their home loan repayments.

During the year, we provided home loans to 960 first home buyers, 60% of whom took advantage of our participation in the Australian Government's Home Guarantee Scheme (Scheme). We are one of more than 30 banks to participate in the Scheme, which helps home buyers purchase a home sooner using a 2% or 5% deposit without having to pay Lenders Mortgage Insurance.

Supporting our members in times of need

We are here to support members experiencing financial hardship or unexpected changes to their circumstances. In FY25 we simplified our hardship application process to make it easier for members to access support when they need it.

We also improved our support for members experiencing financial hardship due to natural disasters. In March, we introduced a financial relief package to provide immediate support to members impacted by Tropical Cyclone Alfred, bushfires in Victoria and the New South Wales flood events in May. The relief measures included repayment pauses, fee waivers, access to funds in Term Deposits, and increases in limits to overdrafts and credit cards, as well as other options to help members restore their homes or replace damaged items.

We were named Customer-Owned Institution of the Year by Money magazine

Outstanding service and industry excellence

Across our four retail brands, we serve members working in education, health and emergency services and their families – and we strive to provide consistently great service to support members in achieving their financial goals.

Our Net Promoter Score, a widely recognised measure of how likely our members are to recommend us to friends and colleagues, remained well above the average score for the major banks, and for FY25 was 32. Teachers Mutual Bank was also named Customer-Owned Institution of the Year in Money magazine's Consumer Finance Awards for 2025 in recognition of the quality of our products and features, customer service and digital experience.

We were also recognised as the Mutual Bank Lender of the Year in the Mortgage & Finance Association of Australia's Excellence Awards nationally and for New South Wales/ Australian Capital Territory, Victoria/Tasmania, and Queensland. This accolade celebrates the strength of our relationship with mortgage brokers and their customers around the country.

STOP. CHECK. PROTECT.

Protecting our members and helping them avoid scams and fraud remains a key priority for our bank. As scam activity becomes increasingly sophisticated, we continue to invest in new measures and technology to help detect and prevent fraudulent activity. In a first for the mutual banking sector, last September, we began rolling out a new security feature to check if account details look right when making a first-time payment. This additional security feature, embedded in our internet banking and mobile apps, has already helped prevent more than \$4 million in mistaken payments and possible scams since its introduction.

Building on this, we will add Confirmation of Payee to our suite of protections for our members in the coming year. Developed by the banking sector to help protect all Australians, Confirmation of Payee will verify the name on an account before members make a payment, reducing the risk of mistaken payments and scams. It works by checking the confirmed account details a member enters—name, BSB, and account number—against those held by the recipient's bank, to provide information on whether the details match. Members can then make an informed decision about what to do next – make the payment, check the details again, or choose not to proceed with the payment altogether.

In the background, our teams, technology and fraud detection platforms continuously monitor for unusual activity and security threats. This year, we upgraded our digital identity verification technology and our mobile banking application to offer greater protection and convenience to members. In June, we updated our mobile app across all four brands, offering members improved features, including enhanced card controls for better security. Our new easy-to-access in-app card lock feature means members can manage whether their card is able to be used for transactions online, in-store, via their mobile wallet, and at ATMs, as required.

Preventing scams and fraud requires constant vigilance – from both our bank and our members. We continue to encourage members to stay alert, particularly when asked to send funds or invest in opportunities promising unusually high returns. We also remind members about the importance of simple checks, such as verifying Australian Financial Services Licence numbers against official public sources, and checking details such as BSBs and account details before making payments. The latest tips and information about scams can be found on our websites and our app.

We continue to encourage members to stay alert, particularly when asked to send funds or invest in opportunities promising unusually high returns





Our people

Creating a future-ready mutual

We believe that by investing in our people, we strengthen our ability to deliver great value and service to our members. This past year, our people have helped strengthen our culture while demonstrating an unwavering commitment to our members.

Shaping our culture

Over the last 12 months, we delivered on an ambitious change and modernisation agenda, requiring collaboration and contribution from all our teams across the bank. During this period of change, our employee engagement remained stable, on par with our FY24 results. Importantly, the results of our engagement surveys showed our people feel supported by their leaders during periods of change and that genuine care is demonstrated for employee wellbeing.

Drawing on insights gathered from our employee surveys, we refreshed our organisational values to guide how we lead, collaborate, and ultimately deliver for our members. They are the foundations on which our culture is grounded and drive our desired behaviours and actions while ensuring every employee feels connected and supported.

Growth through learning and experience

We believe in continuous learning and empower all employees to take ownership of their professional development through formal and informal programs.

During the year, 49 of our people participated in bank-supported higher education studies, while 349 of our people attended formal training courses. Additionally, easily accessible tools such as LinkedIn Learning enabled our people to craft personalised learning plans, through access to more than 24,000 courses, that are both relevant to their roles and aligned with their career aspirations. This flexible and hybrid approach to training and development ensures that opportunities are readily available when needed and tailored to individual and group goals.

We strongly encourage our people to seek new opportunities, and this year, 25 of our people undertook secondments and another 30 were internally promoted to a new role. We are proud of the opportunities we offer, and will continue to offer to our people, as our bank evolves and adapts to new ways of working and responds to changes in external environments.

Developing our leaders

During the year, we introduced new leadership forums to bring together senior leaders and people leaders from across the bank. Aimed at facilitating collaboration, connection, and development opportunities, these forums have strengthened the leadership group's collective ability to effectively deliver the bank's strategy.

Additionally, this year, we launched a new foundational program for new leaders of the bank to equip them with essential skills and confidence for their day-to-day leadership responsibilities.

We also launched our internal Young Professionals Network. Offering tailored development and connection opportunities for employees under 35, this network supports professional and personal development to create a pipeline of future leaders at our bank.

Supporting women in leadership

This year, we proactively sought to support more women into leadership roles. We internally promoted 19 females and hired 11 female leaders into the bank. As reported to the Workplace Gender Equality Agency at the end of March, 60% of our workforce, 48% of managers, 50% of our Executive and 56% of our Board, including our Deputy Chair, were female.

We take this opportunity to thank our people for their continued dedication to the bank and our members. In a year of change and increased pace, our people have continued to show up every day with passion and an unwavering commitment to deliver the best service for our members.



Our values



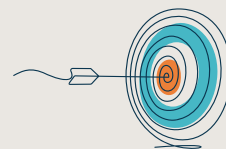
Passion



Excellence



Growth



Sustainability

Our communities

Supporting our communities
and professions

As a proud customer-owned bank, we are committed to supporting the communities and industries that support us.

This year, we invested more than \$1.1 million in community programs and professional development opportunities across the education, health, and emergency services sectors. We also engaged with more than 1,000 people at conferences, orientations, graduations, and workplace events around Australia, reinforcing our commitment to these vital professions.

Supporting nursing and midwifery students

Recognising the transformative power of education, we once again supported a range of programs designed to help students throughout their learning journey.

Helping students at Western Sydney University complete their degrees and start their careers, our bank provided six bursaries to pre-service teachers, 30 uniform endowments to first-year nursing students, and three bursaries to third-year nursing and midwifery students.

At Australian Catholic University (ACU), we provided our annual scholarship to a teaching student and an allied healthcare student in recognition of the barriers they have overcome to access higher education. We also provided a \$5,000 scholarship to support a qualified nurse wanting to pursue further qualifications in their chosen field.

This year, the findings from the Nursing Resilience project, which we part-funded in partnership with ACU, were published. Addressing key industry challenges, the research project identified ways to improve retention, support, and course completion for nursing students. In FY26, ACU is planning to launch a second phase of this important research project.

Continuing professional development

For the past nine years, in partnership with Bell Shakespeare, we have supported 30 teachers annually from across Australia with a year-long mentorship. During intensive learning days, the teachers practise and develop innovative teaching techniques, Shakespeare strategies, and active learning principles to engage learners across all year levels. In August 2024, we surveyed teachers who had participated in the mentorship program to better understand its impact. Of those who responded to the survey, all agreed that the mentorship had a positive impact on their teaching practice and 77% reported that it positively impacted their decision to stay in teaching.*



▲ Pictured left to right: NSW Premier Chris Minns MP, Catherine Jones, 2025 Scholarship Recipient and Deputy Premier, The Hon. Prue Car.

*In August 2024, 240 survey invites were distributed and 91 responses were received.



▲ Students taking part in Cufa's Children's Financial Literacy (CFL) program in Cambodia.

Another longstanding initiative we are proud to have supported again this year is our Principals Scholarship. Recognising a public school Principal who demonstrates outstanding leadership, a commitment to public education, and the capacity to make a difference in their community, this scholarship provides the opportunity to attend a one-week intensive leadership program at Harvard Graduate School of Education. With our support, this scholarship has been awarded to 12 Principals since 2013.

We were also delighted to continue our support of the Premier's Teachers Mutual Bank Aboriginal Education Scholarship, which was presented to Catherine Jones in September 2024. Catherine's study tour took her from Kurri Kurri to Canberra and Jervis Bay, before heading to Wellington and Taupo in New Zealand, as she connected with community, as well as early childhood centres and schools that are leaders in understanding and practising Indigenous pedagogies.

Celebrating 10 years of impact through Cufa's Children's Financial Literacy Program

In June, we marked a decade of successful partnership with the Credit Union Foundation of Australia (Cufa) in delivering financial literacy education to children across Cambodia. Since 2016, we have supported Cufa to deliver financial literacy training to 45,103 students and 1,065 teachers across 132 Cambodian schools.

As the program now draws to a close, its impact has been recognised by the Government of Cambodia, which has committed to integrating financial literacy into the national school curriculum – a step that promises even greater long-term change.

Reconciliation

We are committed to reconciliation and aim to be an active participant in Australia's reconciliation journey. Our vision is for reconciliation to be embedded within our bank, informing the way we work and interact with each other, our members, and the wider community. We want to have a meaningful impact by establishing mutually beneficial relationships with Aboriginal and Torres Strait Islander peoples and organisations.

Over the last 12 months, we refreshed our approach to reconciliation and registered for our Innovate Reconciliation Action Plan (RAP). Building on the foundation of our Reflect RAP, our Innovate RAP will outline the actions we will take to strengthen our relationships with Aboriginal and Torres Strait Islander peoples while exploring new strategies and opportunities to further our reconciliation commitments.

Community

This year, we invested in both longstanding and recently launched initiatives designed to support the wellbeing of our professions and communities.

Our Essentially You program provided our members with practical tips on physical, mental, and financial wellbeing. In FY25, we extended the program to include our employees, giving them access to tools and insights from a range of qualified professionals.

We also recognised the small, everyday efforts of nurses and midwives through our Take Five Initiative. From the submissions this year, we rewarded 50 healthcare professionals from around Australia who were nominated by their peers for the small, impactful actions that make them a great colleague and professional.

Our four-decade partnership with Stuart House continued during the year. Our support helped provided 1,600 public school children impacted by health or family issues with 12 days of respite care, programs, excursions, medical treatment and screening at no cost to their parents or carers. Each child is personally recommended by their school principal as needing a break from their daily life.

Our Advisory Committee

This year we continued to engage with our Teachers Mutual Bank Limited Advisory Committee, which represents our professions of health, education, and emergency services. Members of this committee represent employees within these professions (teachers, nurses, and firefighters), employers (hospitals, government departments, schools, and universities), and organisations that represent and support our professions (industrial unions and industry associations). This representation provides us with a broad cross-section across the industries we serve and brings a range of matters to the table for discussion. We take this opportunity to thank our Advisory Committee members for their commitment and contribution.

Our Members Committee

The Members Committee is a group of members elected to help the bank stay closely connected to the people we serve. It's a way for members to contribute ideas, offer feedback, and support the bank in shaping better products and services. The Members Committee meets regularly throughout the year with the bank's management team, and we take this opportunity to thank the Committee for their commitment and contribution.

**We invested to
support the wellbeing
of our professions
and communities**



▲ Participants taking part in the Teachers Mutual Bank Bell Shakespeare National Teacher Mentorship program.



Banking for good

Banking with purpose

We are profit for purpose

Being a mutual bank, we are 100% owned by our members and profit for purpose is our business model. Instead of profits being distributed to institutional shareholders and investors via dividends, our profits are reinvested into our bank for the benefit of our members and communities. It's what we call banking for good.

Re-certified as a B Corp

We are a Certified B Corporation (B Corp) bank, meaning we are part of the global movement for an inclusive, equitable, and regenerative economy.

Certifying as a B Corp goes beyond product- or service-level certification. B Corp Certification measures, through the B Impact Assessment Score, the entire bank's performance across five pillars of customers, governance, environment, workers, and community by third-party verification.

In June, we celebrated our successful B Corp re-certification and achieved a 19% improvement on our previous B Impact Assessment Score. To become certified under B Lab's current standards, B Corps must achieve a B Impact Assessment score of 80 or above, and we achieved a score of 121.6.

We are one of eight Australian mutual banks and 58 banks worldwide that are B Corp Certified, which reflects our commitment to considering people and planet alongside profit.

Responsible Investment Leader

For the fourth year in a row, we were the only bank recognised as a Responsible Investment Leader by Responsible Investment Association Australasia (RIAA).

RIAA defines Responsible Investing as a 'broad-based approach to investing which factors in people, society, the environment, as well as financial performance and risks, when making and managing investments. Also called sustainable or ethical investing.'

A Responsible Investment Leader, as per the current definition by RIAA, is a company that has an exceptional ability to deliver on its responsible investment promises and demonstrates:

- A commitment to responsible investing
- The explicit consideration of environmental, social and governance (ESG) factors in investment decision making
- Strong and collaborative stewardship
- Transparency in reporting activity, including the societal and environmental outcomes being achieved.

Certified responsible investment products

During FY25 every home loan and deposit account opened was a RIAA Certified Responsible Investment product, at no additional charge to our members.

Our ESG policies and exclusions underpin our RIAA Responsible Investment Product Certification. Product Certification provides independent, third-party verification for distinguishing responsible, ethical, and impact investment products and services in Australia and New Zealand.



To achieve Certification, RIAA assessed our products against its Responsible Investment Certification Standard, which is underpinned by eight requirements:

1. Responsible investment strategies are formal, disclosed, consistent, auditable, and fit for purpose.
2. Labels are clear, honest and not misleading.
3. Product avoids significant harm.
4. Product accounts for ESG factors.
5. Discloses full holdings, performance, sustainability outcomes and engagement and voting practices.
6. Are managed by active stewards and managers who can detail the stewardship practices and outcomes.
7. Organisation has a formal commitment to responsible investment.
8. Organisation provides educational information to members and customers about responsible investment strategies and investment outcomes.

Sustainability considerations in our vendor governance

Our vendor governance framework and supporting policies outline our bank's approach to effective vendor governance. In addition to meeting needs such as working effectively with our vendors, controlling costs, and managing risks, our vendor governance approach also incorporates our focus on sustainability. We aim to develop and strengthen mutually

beneficial third-party vendor relationships that support our bank's success. As part of this, we are integrating sustainability considerations into our procurement processes, consistent with our B Corp Principles. To support this, we have partnered with Purpose Bureau (Purpose Bureau – The ESG Directory) to review selected suppliers and identify potential modern slavery and human rights risks, helping us to prioritise areas for further action.

Our head office

In late 2025, we will relocate our Sydney head office to a 5.5-star, certified National Australian Built Environment Rating System (NABERS) building in Sydney's CBD. NABERS provides a rating from one to six stars for a building's efficiency across: energy, water, waste, and indoor environment. The rating helps us to understand and communicate the environmental performance of the new office, while identifying areas for cost savings and future improvements.

Transitioning our vehicle fleet

In FY23, we announced a \$2 million investment to transition the national car fleet to 100% electric vehicles by 2027. This year we purchased an additional five, bringing our current fleet to 17 of the intended replacement fleet of 30. We have also installed a further five home charging stations, bringing the total for our people to 10.

Effective risk management

Our proactive approach to effective risk management

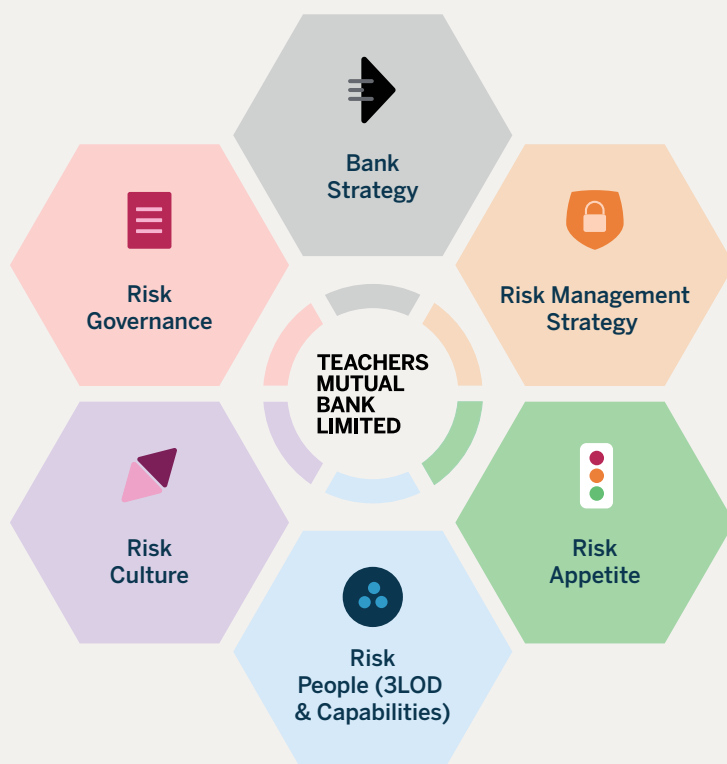
Effective risk management underpins our operations and decisions. Our proactive approach is not just about compliance—it's about creating sustainable value and protecting what matters most to our members. Our comprehensive approach ensures we can navigate challenges while pursuing opportunities that align with our purpose and values.

Our risk management framework

We manage risks through our comprehensive Risk Management Framework (RMF), which aligns with regulatory requirements and industry best practices. The RMF helps us identify, assess and manage the various risks arising from our banking operations while supporting the achievement of our strategic objectives.

Risk management framework (RMF) key components

The RMF enables Teachers Mutual Bank Limited to appropriately develop and implement strategies, policies, procedures and controls to manage different types of Material Risks.



Bank Strategy sets out its approach for the implementation of its strategic objectives (business plan) and informs its Material Risks.



The Risk Management Strategy (RMS) establishes the approach to iteratively identifying, assessing and managing Material Risks within Board-approved risk appetite settings.



The Risk Appetite Statement (RAS) articulates which risks we will assume and which we will not in pursuit of our business aims, setting a boundary for risk-taking.



The "Three Lines of Defence" model (3LOD) is used to define risk management roles. This 3LOD model facilitates the effective operation of the Risk Management Framework by our people.



Risk culture is defined as the beliefs, values and behaviours within Teachers Mutual Bank Limited that determine how risks are identified, measured, governed, and acted upon.



Teachers Mutual Bank Limited's Risk Governance approach details the relationship between the Board, Board Committees and senior management with respect to the risk management



Our RMF is built on six interconnected components that work together to create a robust risk management environment.

- **Bank Strategy** defines our business direction and strategic objectives.
- **Risk Management Strategy** outlines our comprehensive approach to managing material risks and describes how we identify, assess and treat the risks that could impact our success.
- **Risk Appetite Statement** clearly articulates the types and levels of risk we are willing to accept in pursuit of our business objectives, setting boundaries for our risk-taking activities.
- **Risk People and Governance** establishes clear roles, responsibilities and oversight structures.
- **Risk Culture** defines the behaviours and values that guide our approach to risk.
- **Monitoring and Reporting** ensures ongoing visibility of our risk profile.

This integrated approach ensures that risk considerations are embedded in all our decision-making processes, from strategic planning to daily operations. Our framework enables us to take calculated risks within our risk appetite that support member outcomes while maintaining the safety and soundness that our members expect.

Effective risk management is not risk management is not just about compliance—it's about creating sustainable value and protecting what matters most to our members



Three lines of defence: our risk management structure

We operate a robust Three Lines of Defence model that creates multiple layers of risk oversight and assurance. This proven model ensures clear accountability while providing comprehensive coverage of our risk landscape.

Line of defence	Responsibility
First	Business Ownership: Our business teams are the first and most critical line of defence. They own and manage day-to-day risks in their areas, operating within Board-approved limits and maintaining strong controls. Every employee understands that risk management is part of their role, with responsibilities including identifying emerging risks, implementing effective controls, and escalating issues when they arise.
Second	Independent Oversight: Our Risk and Compliance team, led by the Chief Risk Officer, forms our second line of defence. This team develops risk policies and frameworks, provides independent oversight and challenge, and reports directly to the Board on our risk profile. The second line monitors our risk appetite and provides specialist expertise to ensure our risk management practices remain current and effective.
Third	Independent Assurance: Internal Audit provides our third line of defence, offering independent assurance on the effectiveness of our risk management and internal controls. Reporting directly to the Board Audit Committee, Internal Audit conducts comprehensive reviews and provides an objective assessment of our risk management practices, helping ensure our risk framework operates as intended.



We believe that the
right risk culture is
our strongest defence
against unexpected
challenges

Risk culture: the core of our approach

Risk culture is fundamental to everything we do. It represents the beliefs, values, and behaviours that determine how risks are identified, measured, governed, and acted upon throughout our organisation. We believe that the right risk culture is our strongest defence against unexpected challenges.

Our risk culture is built on our values of passion, excellence, growth, and sustainability. These values guide how our people approach risk decisions, encouraging thoughtful consideration of member impacts, proactive identification of issues, and sustainable business practices.

We foster an environment where employees feel empowered to raise concerns, challenge decisions when appropriate, and take ownership of risk outcomes. This includes creating psychological safety for employees to speak up about potential issues without fear of retribution.

Measuring and monitoring risk culture

We regularly measure and monitor our risk culture through comprehensive assessment processes. The Board conducts an annual evaluation of our risk culture, examining both quantitative indicators and qualitative insights. This financial year, we saw a 4% uplift in our risk culture survey results, which are benchmarked internationally. Our people noted high levels of confidence in leader-led risk management, prompt issue reporting, and increased understanding of risk.

Training and awareness

Our employees receive risk management training that is appropriate to their roles and responsibilities. We ensure our people understand not just the bank's policies and procedures but the underlying principles and expectations that guide our approach to risk. Leadership teams receive enhanced training to help them model the behaviours we expect throughout the organisation.

Continuous improvement and future focus

We regularly review and enhance our risk management practices, incorporating lessons learned, regulatory developments, and industry best practice. This forward-looking approach helps ensure we remain resilient and responsive to changing conditions while maintaining our focus on member outcomes. Our Member Outcomes and Risk Excellence (MORE) Program, which enhances our risk governance, practices and culture, is progressing well. As of June 30, we had completed 45% of deliverables, with the program independently assured as "on-track".

Leadership



Anthony Hughes
Chief Executive Officer

BEd, CA, MAcc, MBA (Exec.), GAICD



Dan Chesterman
Chief Information Officer

B Com, MBT, GAICD



Erica Pickford
Chief Operations Officer

Cert 4 in Credit Risk Management,
GAICD



Greg Johnson
Chief Customer Officer

MBA, BCom & CompSc



James Walker
Chief Risk Officer

BA Hons (Economics), FFINSIA, MAICD



Jenny O'Neill
**Chief Legal Officer
and Company Secretary**

BA (Comm.), LLB (Hons)



Nichole Banks
**Chief Sales and
Marketing Officer**

Grad Cert Mgt, GAICD



Michael Bencsik
Chief Financial Officer

BCom, MBA, FCCA (UK), FCPA (AUS),
FFIN, GAICD, JP



Vicki Leaver
**Chief People
and Culture Officer**

BA DipEd, M. Pub Ad, GAICD, CPHR



Directors' report

The Board of Directors of Teachers Mutual Bank Limited ('the bank') present their report together with the Financial Statements for the financial year ended 30 June 2025. The bank is a company registered under the Corporations Act 2001.

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



Andrew Kearnan

Chair

MBA, BSc (Hons); GAICD

Appointed: September 2020, Deputy Chair May 2023 to February 2025, Chair since February 2025

Board Committees: Member of the Audit and Risk & Compliance Committees

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

Andrew is also a Director and Chair at both UniMutual Limited and PetSure Australia.



Prof. the Hon. Verity Firth AM

Deputy Chair

BA LLB; GAICD

Appointed: July 2020, Deputy Chair since May 2025

Board Committees: Member of the People & Remuneration and Nominations Committees

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

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

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

Verity is also a Director of The Front Project, Chair of Engagement Australia, Deputy Chair of the Australian Public Policy Institute and Member of the Implementation Advisory Committee, Australian Universities Accord.



Emeritus Professor William Ford

Director

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

Appointed: August 2015

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

A Director and Chair of Unicredit until its merger with Teachers Mutual Bank in 2015, William is also a Barrister and Solicitor to the Supreme Court of WA.

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

William is also a Director/Trustee at Coleraine Pty Limited.



Virginia Marshall

Director

BCom, MBus, MCom, GradCertSust, GAICD

Appointed: May 2023

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

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

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



Sue Matthews

Director

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

Appointed: 26 February 2024

Board Committees: Member of the People & Remuneration Committee

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

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



Andrew McCready

Director

BSc, A Fin

Appointed: September 2019

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

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

Andrew was a Director of Fire Brigades Employees Credit Union for eight years and Chair for three years. Post the merger with Teachers Mutual Bank in 2016, he continued on the Firefighters Mutual Bank Advisory Committee and was appointed to the Teachers Mutual Bank Limited Board in 2019.



Marianne Perkovic

Director

BEd, MBA, GAICD

Appointed: September 2024

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

Marianne has 30 years' experience within financial services working across retail and high net worth banking, wealth management, financial advice, asset and investment management, insurance, and superannuation. She also has experience in the fashion and textile industry.

A highly experienced executive and director, Marianne has held senior executive roles with ASX listed organisations, a major bank, and consulting firms. She is an experienced board director, committee chair, was the youngest female to be appointed CEO of an ASX-listed business, and to date has been recognised with a number of industry awards.

Marianne is also a director at Insignia Financial Group's Investment & Superannuation Trustee Boards Real Asset Management Essential Services Property Fund, Eticore, The Australian Fashion Council, Orygen Youth Mental Health Foundation, Seamless, TFIA Business Services Pty Limited, Devlin Noble Pty Ltd, Perkovic Devlin Advisory, and is an APAC International Advisory Board member at Workday and a Member of Chief Executive Women.



Maree O'Halloran AM

Director

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

Retired: February 2025

Board Committees: –

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

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

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



Michael O'Neill

Director

BEd, BA, Grad Dip Acct, GAICD

Retired: May 2025

Board Committees: –

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

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



Melissa Reynolds

Director

BEd, MComm, GAICD

Resigned: August 2024

Board Committees: –

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

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

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

The Company Secretary in office at the end of the financial year is Ivana Jenny (Jenny) O'Neill.

Jenny O'Neill

Chief Legal Officer and Company Secretary

BA (Comm.), LLB (Hons)

The Company Secretary is accountable for the bank's corporate governance, company secretarial, and legal functions.

Directors' meeting attendance

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

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

All Directors may attend Board Committee meetings (with the exception of the Nominations Committee) even if they are not a member of the relevant Committee. The table excludes the attendance of those Directors who attended meetings of Board Committees of which they are not a member.

1. The number of meetings held during the time the Director was a member of the Board or Board Committee.
2. The number of Board Committee meetings that the Director attended as a member.
3. The number of unscheduled out-of-cycle meetings normally called for a special purpose that do not form part of the Board's forward agenda.
4. Appointed as Chair of the Board from the close of the 24 February 2025 Board meeting. Retired as Chair of the Board Audit Committee on 24 February 2025. Appointed as a member of the Board Risk and Compliance Committee on 25 November 2024.
5. Appointed as Deputy Chair of the Board on 26 May 2025. Appointed as a member of the People and Remuneration Committee on 4 April 2025. Appointed as a member of the Board Nominations Committee on 25 November 2024.

6. Retired as a member of the Board Audit Committee on 4 April 2025.
7. Appointed as Chair of the Board Audit Committee on 24 February 2025. Appointed as a member of the Board Risk and Compliance Committee on 25 November 2024.
8. Appointed as a member of the Board Nominations Committee on 25 November 2024.
9. Chair of the Board People and Remuneration Committee. Retired as a member of the Board Nominations Committee on 25 November 2024.
10. Appointed as a member of the Board Risk and Compliance Committee on 30 September 2024 and Chair of the Board Risk and Compliance Committee on 25 November 2024. Appointed as a member of the Board Audit Committee, and People and Remuneration Committee on 25 November 2024. Retired from the People and Remuneration Committee on 4 April 2025.
11. Resigned as a Director on 30 August 2024.
12. Retired as Board Chair and Director from the close of the 24 February 2025 Board meeting.
13. Retired as a Director on 5 May 2025.

Directors' benefits

No Director has received, or became entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the bank, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 26 (Key Management Personnel and Related Party Transactions) of the financial report.

Indemnifying officers or auditors

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

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

Financial performance disclosures

Principal activities

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

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

Operating results

The net profit of the bank for the year after providing for income tax was \$36.7 million (2024: \$24.5 million).

Dividends

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

Review of operations

The bank's principal activity of providing retail financial services primarily to employees and families in the education, emergency services and health sectors and university graduates and their families is consistent with the previous year.

Net profit after tax increased 49.8% to \$36.7 million (2024: \$24.5 million) primarily due to higher net interest income driven by changes in the portfolio mix, partially offset by a reduction in the average loan balance. Overall, this represents a strong result despite an increased investment spend on risk transformation, digital transformation, and regulatory and compliance projects.

In a competitive lending environment our home loan book remained relatively flat year-on-year at \$9.2 billion (2024: \$9.3 billion). Loan losses remain at historically low levels and the expected credit loss provision of \$8.5 million (2024: \$7.6 million) is broadly consistent with the prior year relative to total loans, demonstrating the stable credit quality of the portfolio and prudent provision overlays in areas of emerging and higher risk.

Retail deposits increased slightly by \$32 million to \$9.2 billion, while wholesale funding decreased by approximately 10% to \$1.4 billion, reflecting active management of the bank's strong liquidity position. The bank remains well funded, with a stable and diversified funding base.

Net interest income increased by \$30.2 million or 16.4% over the previous year. The net interest margin increased by 0.21% to 1.86% reflecting the maturing of our fixed interest rate loan book which was repriced at higher variable interest rates during the year.

During November 2024, the bank participated in the initial public offering of Cuscal Limited, selling 50% of its shareholding. The sale resulted in the recognition of an after tax gain of \$6.1 million in other comprehensive income.

Operating costs grew by \$11.6 million or 7.1%, driven by the uplift in risk transformation through investment in technology, additional staff with risk expertise, and professional consultants, along with an increase in staff remuneration and benefits in line with market observed norms.

The bank's regulatory capital adequacy ratio remained strong and was higher at 17.01% (2024: 15.59%), reflecting lower net lending volumes over the year. The bank remains well capitalised, providing a sound capital base to navigate any economic uncertainty in the future operating environment. This strong capital position supports our continued investment in system integrity and resilience, digitisation and member service functionality, as well as risk transformation, and regulatory and compliance systems.

Following a strategic review of our property portfolio, the bank divested certain non-core properties in Perth, Brisbane, Melbourne and Sydney during the year. These actions support the planned consolidation of operations and the relocation of the head office in Homebush, NSW, to a contemporary Sydney CBD location. On 6 June 2025, a lease was signed for new office premises at 10 Shelley Street, Sydney. We plan to relocate to our new premises in late 2025, ahead of the official lease commencement date of 1 June 2026. The lease term is seven years and reflects our commitment to a modern, sustainable workplace that will support our operations well into the future and provide better facilities for our members and staff.

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

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

Significant changes in the state of affairs

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

Events occurring after the end of the reporting date

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

Likely developments and results

On 17 December 2024, Australian Mutual Bank Ltd and Teachers Mutual Bank Limited announced the signing of a Memorandum of Understanding to explore merging the two mutual banks.

On 14 May 2025, the Boards of Australian Mutual Bank Ltd and Teachers Mutual Bank Limited announced that they had formally approved the proposal to recommend merging the two mutual banks to members following the completion of a comprehensive due diligence process that confirmed the strategic and cultural alignment of the member-owned banks. Following endorsement by the Boards of both banks, the Transfer of Business application was submitted to APRA on 11 August 2025, a key milestone.

The merger aims to combine the strengths of both institutions to better serve our members to create one of Australia's largest member-owned banks, an organisation with \$13.4 billion in total assets and almost 300,000 members. Bringing these two trusted organisations together would provide immediate benefit and opportunity for better member outcomes. Combining the financial strength of both banks increases scale and provides a platform for strong investment in enhanced products and services, modern technology, cybersecurity and fraud/scam prevention and digital banking services.

Environmental legislation

The bank operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Auditor's independence declaration

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 (Cth) (the Corporations Act) as set out on page 41 and forms part of this report.

Proceedings on behalf of the bank

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

Rounding

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

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

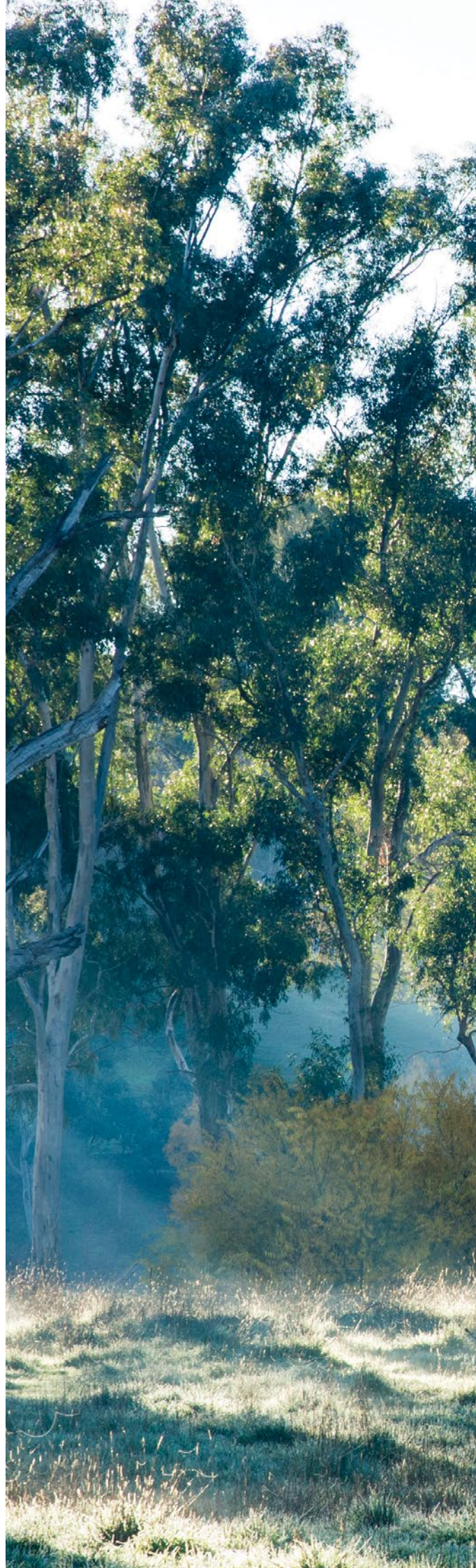


Andrew Kearnan
Chair



Verity Firth
Deputy Chair

Signed and dated this 2nd day of September 2025





Directors' declaration

TEACHERS MUTUAL BANK LIMITED

Directors' declaration

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

- a. The financial statements and notes of Teachers Mutual Bank Limited are in accordance with the *Corporations Act 2001* (Cth), including:
 - i. Giving a true and fair view of the financial position as at 30 June 2025 and of its performance for the financial year ended on that date, and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting interpretations) and the *Corporations Regulations 2001*.
- b. There are reasonable grounds to believe that Teachers Mutual Bank Limited will be able to pay its debts as and when they become due and payable.
- c. The financial statements comply with International Financial Reporting Standards as stated in Note 1.
- d. The consolidated entity disclosure statement on page 92 is true and correct.

Signed in accordance with a resolution of the Directors:



Andrew Kearnan, Chair

Signed and dated this 2nd day of September 2025

Auditor's Independence Declaration



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Sydney, NSW 2000

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Sydney, NSW 1230

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Auditor's Independence Declaration

To the Directors of Teachers Mutual Bank Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2025, 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

Claire Scott
Partner – Audit & Assurance
Sydney, 2 September 2025

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Independent auditor's report



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Independent Auditor's Report

To the Members of Teachers Mutual Bank Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Teachers Mutual Bank Limited (the Company) and its controlled entities (the Group), which comprises the statement of financial position as at 30 June 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

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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:

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

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

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

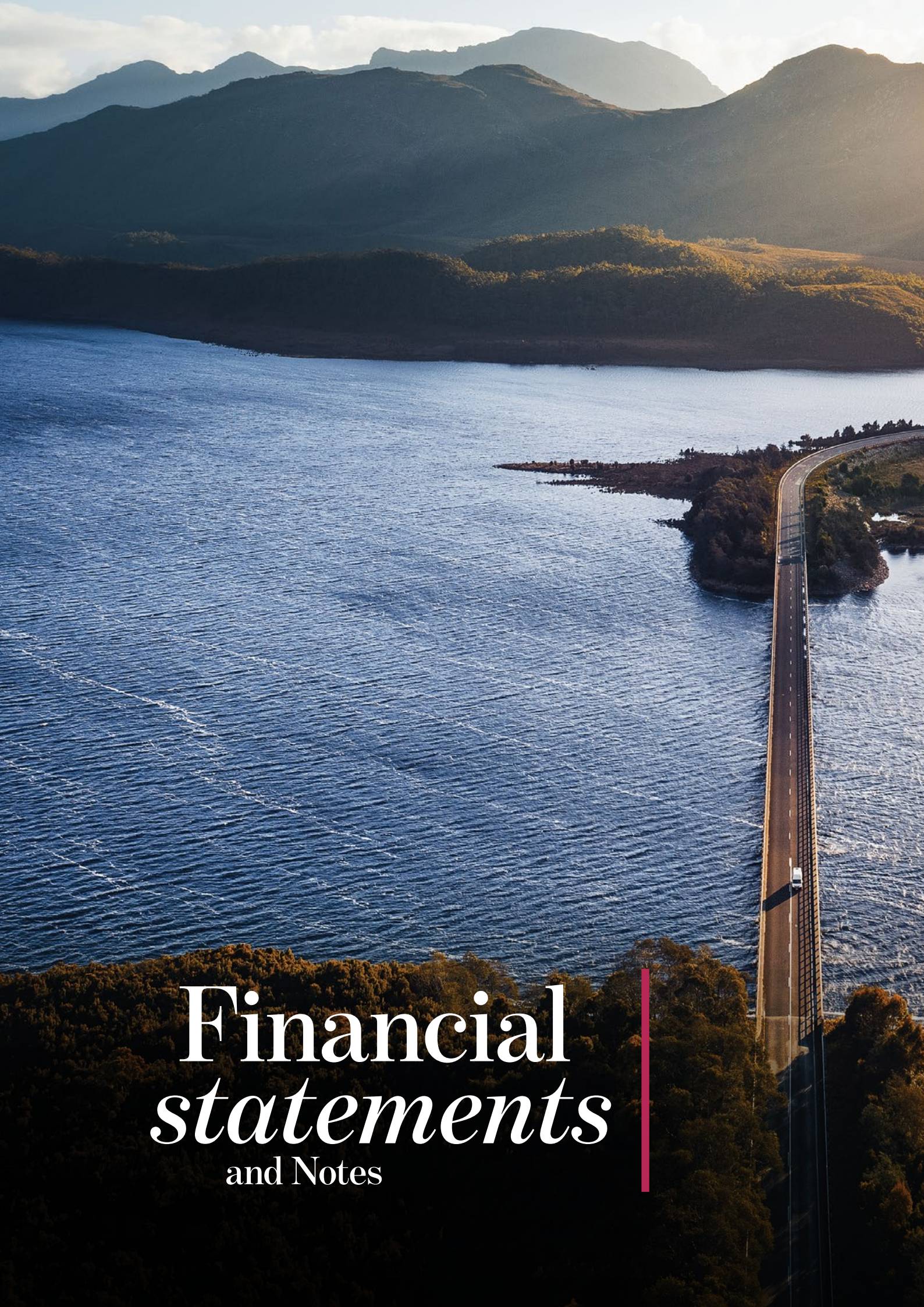
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/media/apz1wn0y/ar3_2024.pdf. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

Claire Scott
Partner – Audit & Assurance
Sydney, 2 September 2025

Grant Thornton Audit Pty Ltd



Financial *statements* and Notes



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Income and other comprehensive income statements

For the year ended 30 June 2025

	Note	2025 \$m	2024 \$m
Interest revenue	2(a)	556.6	504.2
Interest expense	2(b)	(342.3)	(320.1)
Net interest revenue		214.3	184.1
Fee and commission revenue	2(c)	14.8	15.1
Other income	2(d)	2.7	1.4
Net operating income		231.8	200.6
Credit impairment charge	2(e)	(1.9)	(1.4)
Operating expenses	2(f)	(175.9)	(164.3)
Total expenses		(177.8)	(165.7)
Profit before income tax		54.0	34.9
Income tax expense	3(a)	(17.3)	(10.4)
Profit attributable to members		36.7	24.5
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX	Note	2025 \$m	2024 \$m
Items that may be reclassified subsequently to profit and loss:			
– Net movement on cash flow hedges		(0.1)	–
Items that will not be reclassified subsequently to profit and loss:			
– Revaluation of land and buildings	19	(3.0)	–
– Changes in fair value of assets held at fair value through other comprehensive income (FVOCI)	19	10.5	–
Total other comprehensive income		7.4	–
Total comprehensive income		44.1	24.5

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

Statement of financial position

As at 30 June 2025

	Note	2025 \$m	2024 \$m
ASSETS			
Cash and cash equivalents	4	132.2	155.9
Receivables	7	19.7	11.1
Other financial assets	8	1,859.6	1,843.2
Prepayments and other assets		8.0	8.1
Non-current assets held for sale	9	9.6	–
Derivative assets held for hedging purposes	10	0.5	–
Current tax assets	3(c)	1.0	0.9
Loans and advances to members	5	9,392.3	9,477.0
Property, plant and equipment	11	48.7	62.9
Right-of-use assets	12	1.0	1.1
Intangible assets	13	0.5	0.6
Deferred tax assets	3(d)	12.3	14.0
Total assets		11,485.4	11,574.8
LIABILITIES			
Wholesale sector funding	15	1,433.4	1,595.2
Retail deposits	16	9,174.6	9,143.1
Creditors, accruals and settlement accounts	17	34.6	31.5
Derivative liabilities held for hedging purposes	10	0.6	–
Current taxation liabilities	3(b)	1.5	1.6
Provisions	18	59.5	68.0
Lease liabilities	12(b)	1.2	1.2
Deferred tax liabilities	3(d)	9.0	7.3
Total liabilities		10,714.4	10,847.9
Net assets		771.0	726.9
MEMBERS' EQUITY			
Reserves	19	32.1	30.1
Retained earnings		738.9	696.8
Total members' equity		771.0	726.9

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

Statement of changes in member equity

For the year ended 30 June 2025

	Reserves \$m	Retained earnings \$m	Total equity \$m
Total at 1 July 2023	30.1	672.3	702.4
Total comprehensive income for the year	–	24.5	24.5
Subtotal	30.1	696.8	726.9
Transfers to (from) reserves	–	–	–
Total at 30 June 2024	30.1	696.8	726.9
Total at 1 July 2024	30.1	696.8	726.9
Total comprehensive income for the year	7.4	36.7	44.1
Subtotal	37.5	733.5	771.0
Transfers to (from) reserves	(5.4)	5.4	–
Total at 30 June 2025	32.1	738.9	771.0

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

Statement of cash flows

For the year ended 30 June 2025

	Note	2025 \$m	2024 \$m
OPERATING ACTIVITIES			
Inflows			
Interest received		557.5	504.9
Fees and commissions		14.8	14.9
Dividends received		0.9	0.7
Other non-interest income received		1.5	0.7
Outflows			
Interest paid		(352.5)	(316.3)
Suppliers and employees		(172.6)	(159.4)
Income taxes paid		(18.3)	(11.5)
Net cash from revenue activities		31.3	34.0
Inflows (outflows) from other operating activities			
Loans and advances to members (net movement)		79.2	(599.5)
Retail deposits (net movement)		27.1	777.8
Net cash from operating activities	29	137.6	212.3
INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		1.0	0.2
Purchase of property, plant and equipment		(1.7)	(1.6)
Purchase of intangible assets		(0.1)	(0.1)
Proceeds on sale of other investments, net of tax		8.8	–
Deposits with other financial institutions (net movement)		(12.8)	(210.8)
Net cash from investing activities		(4.8)	(212.3)
FINANCING ACTIVITIES			
Wholesale sector (net movement)		(156.0)	347.7
Borrowings (net movement)		–	(324.7)
Lease principal payments		(0.5)	(0.7)
Net cash from financing activities		(156.5)	22.3
Net change in cash and cash equivalents		(23.7)	22.3
Cash at the beginning of the year		155.9	133.6
Cash at the end of the year	4	132.2	155.9

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

Notes to the financial statements

For the year ended 30 June 2025

1. Basis of preparation

a. General information and statement of compliance

This financial report of Teachers Mutual Bank Limited (the bank) was authorised for issue on 2 September 2025, in accordance with a resolution of the Board of Directors.

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

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

b. Basis of measurement

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

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

c. Functional and presentation currency

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

d. New Australian Accounting Standards and amendments to Australian Accounting Standards.

(i) Effective in the current financial year

There were no new or amended Australian Accounting Standards effective for the current financial year that had a material impact on the bank's financial statements at the date of adoption.

(ii) Not yet effective for the financial year

(a) AASB 18 Presentation and Disclosure in Financial Statements

In June 2024, the Australian Accounting Standards Board (AASB) issued AASB 18 Presentation and Disclosure in Financial Statements (AASB 18). This new standard will be effective for the bank from 1 July 2027 and will be applied retrospectively.

AASB 18 will replace AASB 101 Presentation of Financial Statements. While it does not impact the recognition and measurement of items in the financial statements, it introduces new requirements for the presentation and disclosure of information in general purpose financial statements.

The bank is assessing the presentation and disclosure impacts of adopting AASB 18.

e. AASB sustainability reporting standards

The Australian climate-related financial disclosures legislation received Royal Assent in September 2024, under the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024 ('Act').

Following the Act's enactment, the AASB introduced the first set of Australian Sustainability Reporting Standards (ASRS).

These standards include:

- AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information: A voluntary standard that provides entities with a framework for disclosing sustainability-related financial information in a consistent and comparable manner.
- AASB S2 Climate-related Disclosures: A mandatory standard requiring entities to disclose detailed information about their governance, strategy, risk management, and metrics and targets related to climate-related risks and opportunities.

In accordance with The Act, the bank will prepare a sustainability report for its financial year commencing on 1 July 2025.

f. Accounting estimates and judgements

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

- Note 6 – Expected credit losses
- Note 9 – Non-current assets held for sale
- Note 10 – Application of hedge accounting principles
- Note 11 – Fair value of land and buildings
- Note 12 – Determination of lease term
- Note 18 – Provisions resulting from consumer remediation
- Note 28 – Derecognition of loans assigned to a special purpose vehicle used for securitisation purposes

g. Offsetting

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

h. Rounding of amounts

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

2. Operating profit before income tax

a. Interest revenue

	2025 \$m	2024 \$m
INTEREST REVENUE		
Receivables from financial institutions	100.2	87.1
Loans and advances to Members	454.7	394.2
Derivatives interest income	1.7	22.9
Total interest revenue	556.6	504.2

b. Interest expense

	2025 \$m	2024 \$m
INTEREST EXPENSE		
Retail deposits	267.3	229.3
Borrowings	73.4	67.4
Derivatives interest expense	1.8	22.9
Other	(0.2)	0.5
Total interest expense	342.3	320.1

c. Fee and commission revenue

	2025 \$m	2024 \$m
FEE AND COMMISSION REVENUE		
Loan fee income	3.1	3.4
Other fee income	1.1	1.2
Insurance commissions	4.4	4.3
Other commissions	6.2	6.2
Total fee and commission revenue	14.8	15.1

d. Other income

	2025 \$m	2024 \$m
OTHER INCOME		
Dividends received	0.9	0.7
Gain on disposal of property, plant and equipment	0.1	–
Grants received	1.1	–
Miscellaneous income	0.6	0.7
Total other income	2.7	1.4

e. Credit impairment charge

	2025 \$m	2024 \$m
Increase in provision for expected credit losses	1.0	1.1
Bad debts written off directly against profit	1.2	0.8
Bad debts recovered	(0.3)	(0.5)
Credit impairment charge	1.9	1.4

f. Operating expenses

	2025 \$m	2024 \$m
Salary and related costs	112.0	97.3
Transaction costs	18.6	18.9
Information technology costs	23.0	18.7
Research, marketing and sponsorships	6.5	6.2
Office occupancy	3.4	3.6
Professional fees	5.8	4.4
Audit remuneration	0.4	0.4
Depreciation and amortisation expenses	3.2	3.7
Other expenses	3.0	11.1
Total operating expense	175.9	164.3

g. Auditor's remuneration

	2025 \$	2024 \$
AUDITOR'S REMUNERATION		
Audit and other assurance services	346,233	374,914
Non-audit services – company liquidation services	12,000	–
Total auditor's remuneration	358,233	374,914

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

Recognition and measurement

Interest revenue

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

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

Interest expense

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

Non-interest revenue

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

Loan fee income

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

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

Commission income

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

Dividends

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

3. Income tax

a. Income tax expense

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

	2025 \$m	2024 \$m
Current tax provision	15.6	11.9
Adjustments for previous years	0.2	–
Total current income tax expense	15.8	11.9
DEFERRED TAX		
Origination and reversal of temporary differences	1.5	(1.5)
Total movement in temporary differences	1.5	(1.5)
Total income tax expense in income statement	17.3	10.4

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

	2025 \$m	2024 \$m
Profit before income tax	54.0	34.9
Prima facie tax payable on profit before income tax at 30%	16.2	10.4
Add		
– tax effect of expenses not deductible	0.2	0.1
– tax effect of income assessable	1.3	–
Subtotal	17.7	10.5
Add		
– Adjustments to recognise deferred tax assets and liabilities	(0.2)	0.1
Less		
– Under (over) provision of tax in prior years	0.2	–
– Franking rebate	(0.4)	(0.2)
Income tax expense attributable to current year profit	17.3	10.4

(iii) Franking credits

	2025 \$m	2024 \$m
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	303.4	284.7

b. Current tax liabilities

	2025 \$m	2024 \$m
Current income tax liability	0.9	1.0
Other tax liabilities	0.6	0.6
Total current taxation liabilities	1.5	1.6

CURRENT INCOME TAX LIABILITY COMPRISES:

Balance, previous year	1.0	0.6
(Paid) refunded for prior year	(1.1)	(0.6)
Under (over) statement in prior year	0.2	–
Liability for income tax in current year recognised through profit or loss	15.6	11.9
Liability for income tax in current year directly debited to equity	2.5	–
Less instalments paid in current year	(17.3)	(10.9)
Current income tax liability	0.9	1.0

c. Current tax assets

	2025 \$m	2024 \$m
GST Debtor	0.7	0.6
Other	0.3	0.3
Current tax assets	1.0	0.9

d. Deferred tax asset and liability

(i) Deferred tax recognised directly in equity

	2025 \$m	2024 \$m
Net gain on revaluation of land and buildings	5.0	5.0
Unrealised gain on asset held at fair value	3.3	1.4

(ii) Deferred taxes

	2025 \$m	2024 \$m
DEFERRED TAX ASSETS COMPRISE:		
Accrued expenses not deductible until incurred	0.2	0.2
Expected credit losses	2.6	2.3
Provisions for employee benefits	7.2	7.7
Provisions for other liabilities	1.3	2.8
Depreciation on property, plant and equipment	0.7	0.7
Amortisation of intangible assets	0.3	0.3
Deferred tax assets	12.3	14.0
DEFERRED TAX LIABILITIES COMPRISE:		
Tax due revalued property held in equity	5.0	5.0
Assets held at FVOCI	3.3	1.4
Other	0.7	0.9
Deferred tax liabilities	9.0	7.3
DEFERRED TAXES, NET		
Deferred tax assets	12.3	14.0
Deferred tax liabilities	(9.0)	(7.3)
Deferred tax asset, net	3.3	6.7

Recognition and measurement**Income tax expense**

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

Current income tax

Current income tax assets and / or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Management also considers whether it is probable that a taxation authority will accept an uncertain tax treatment and measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income taxes

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

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantially enacted by the end of the reporting period, currently 30% (2024: 30%).

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

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

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

The bank undertakes transactions in the ordinary course of business where the income tax treatment requires the exercise of judgement. The bank estimates the amount expected to be paid to or recovered from taxation authorities based on the bank's understanding and interpretation of law, including case law.

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

4. Cash and cash equivalents

	2025 \$m	2024 \$m
Cash on hand	0.6	0.9
Cash and deposits at call with other financial institutions	131.6	155.0
	132.2	155.9

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

Recognition and measurement

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

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

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position. Interest is brought to account using the effective interest method.

5. Loans and advances to members

a. Gross carrying amounts of loans and advances

	2025 \$m	2024 \$m
Overdrafts and credit cards	68.2	71.7
Term loans	9,278.1	9,356.7
Overdrawn savings	0.1	0.1
Subtotal	9,346.4	9,428.5
Add: Loan origination costs and broker commissions	54.4	56.1
Less: Expected Credit Loss Provision (Note 6)	(8.5)	(7.6)
Net loans and advances to members	9,392.3	9,477.0

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

MATURITY ANALYSIS – GROSS LOANS AND ADVANCES	2025 \$m	2024 \$m
Up to 1 year	3.3	2.9
1 to 5 years	157.5	168.0
Over 5 years	9,185.6	9,257.6
Total	9,346.4	9,428.5

Recognition and measurement

Loans and advances are classified as financial assets measured at amortised cost. Loans and advances are initially measured at fair value plus costs directly attributable to the origination of the loan. These costs are amortised over the expected life of the loan and subsequently measured at amortised cost using the effective interest method, less expected credit losses.

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

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

Securitised loans

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

	2025 \$m	2024 \$m
EdSec Funding Trust No.1	1,525.3	1,906.9

6. Expected credit losses

Measurement of ECL

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

- Exposure at default (EAD) – represents the estimated exposure in the event of a default. The bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and future expectations.
- Probability of default (PD) – PD estimates are calculated based on historic default behaviour using various methods, including a roll rate transition matrix. Default is generally defined as the point when the borrower is unlikely to pay its credit obligations, without recourse by the bank to actions such as realisation of available security, or the borrower is 90 days or more past due.
- Loss given default (LGD) – the magnitude of the likely loss if there is a default. LGD is estimated using historical loss rates and external benchmarks, considering relevant factors for individual portfolios.

These parameters are generally derived from internal analysis, management judgements and other historical data. They are adjusted to reflect forward-looking information as described below.

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

Model stages

The three stage approach utilised by the bank to measure ECL is described below:

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

Grouping of similar assets

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

The bank has elected to use the following segments when calculating ECL:

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

Significant increase in credit risk

When assessing exposures to determine whether there has been a SICR, the bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the bank's historical experience and expert judgement, relevant external factors and forward-looking information.

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

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

Definition of default

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

Incorporation of forward-looking information

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

The bank applies professional judgement in determining whether there are any inherent risks in the predictive outcome of the models. The bank considers the ECL to represent its best estimate of the possible outcomes and is aligned with information used by the bank for other purposes such as strategic planning and budgeting.

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

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

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

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

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

Scenario	Definition
Base case	The base case scenario assumes that unemployment will reduce from 4.5% in 2026 to 4.2% in 2028, and the CPI forecast will decrease from 2.7% in 2026 to 2.6% in 2028.
Downside	Economic slowdown: Unemployment is projected to increase to 6% in 2026 and is forecast to increase to 8.2% in 2028. The CPI forecast is projected to increase to 7.8% in 2026 before decreasing to 5% in 2028.
Extreme downside	Economic recession: Unemployment is projected to increase to 8.4% in 2026 and is forecast to remain at that level until 2028. The CPI forecast is projected to increase to 7.8% in 2026 before decreasing to 5% in 2028.

Probability weightings

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

	2025	2024
Base	55%	55%
Downside	35%	32%
Extreme downside	10%	13%

ECL sensitivity analysis

The table below illustrates the sensitivity to key factors used in determining the ECL as at 30 June 2025, assuming 100% weighting and holding all other assumptions (including forward-looking adjustments) constant.

	2025 \$m	2024 \$m
100% Base scenario	7.7	5.9
100% Downside scenario	10.2	8.8
100% Extreme downside scenario	12.1	11.3

Overlays

Portfolio overlays are used to capture potential risk and uncertainty in the portfolio, that are not captured in the underlying modelled ECL. Determination of portfolio overlays requires expert judgement and is subject to internal governance and oversight. Overlays are periodically reassessed and re-measured. Overlays are applied as an incremental ECL top-up amount to the impacted portfolio segments. Total portfolio overlays as at 30 June 2025 were \$3.0 million (2024: \$0.9 million), with the increase primarily reflecting refinements in methodology and the application of higher PD assumptions to selected loan cohorts, including interest-only loans and borrowers impacted by elevated refinancing risk. The overlays also respond to changes in model structure and portfolio behaviour that contributed to a reduction in the modelled provision during the current year, ensuring continued coverage of emerging risks not yet fully captured by model outputs.

Write-offs

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

The bank may write off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 June 2025 was \$1.1 million. The bank may seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

Modifications

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

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

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

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

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

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

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL \$m	Lifetime ECL \$m	Lifetime ECL \$m	\$m
Opening provision at 1 July 2024	2.9	2.2	2.5	7.6
Transfers to/(from)				
– Stage 1	0.2	(0.1)	(0.1)	–
– Stage 2	<(0.1)	0.1	(0.1)	–
– Stage 3	<(0.1)	(0.1)	0.2	–
Charge to income statement:				
Current loans	0.1	1.9	0.7	2.7
New loans and advances	0.5	0.8	0.3	1.6
Loans paid out	(0.5)	(0.7)	(0.4)	(1.6)
Model changes	(0.7)	(0.2)	(0.4)	(1.3)
Write-offs		(0.1)	(0.4)	(0.5)
Loan impairment expense for the year	(0.6)	1.7	(0.2)	0.9
Closing provision at 30 June 2025	2.3	3.9	2.3	8.5

7. Receivables

	2025 \$m	2024 \$m
Interest receivable on deposits with other financial institutions	8.7	10.0
Sundry debtors and settlement accounts	11.0	1.1
Total receivables	19.7	11.1

Recognition and measurement

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

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

Impairment – Receivables

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

8. Other financial assets

	2025 \$m	2024 \$m
AMORTISED COST		
Due from other financial institutions		
Negotiable certificates of deposit	265.9	421.0
Covered bonds	29.8	31.7
Floating rate notes	1,004.6	1,163.4
Promissory notes	19.6	–
Bonds	1.2	8.4
Residential mortgage backed securities	4.8	20.5
Other (EdSec and Cuscal Limited)	114.5	133.7
Due from central borrowing authorities		
Floating rate notes	390.1	54.0
Bonds	15.4	0.5
Total amortised cost	1,845.9	1,833.2
FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Equity instruments – Shares in listed entities (2024: unlisted)	13.7	10.0
Total value of other financial assets	1,859.6	1,843.2

Other financial assets includes restricted balances which represent deposits held in securitisation trust collection accounts of \$60 million (2024: \$79 million), and security deposit obligations with Cuscal Limited of \$55 million (2024: \$55 million), which are not available for use by the bank.

Recognition and measurement

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

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

- Amortised cost
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI).

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

Classifications are determined by both:

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

Amortised cost

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

Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired.

Fair value through profit or loss (FVPL)

Financial assets that are within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised as fair value through profit or loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

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

Fair Value through Other Comprehensive Income (FVOCI)

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

Shares at fair value

	2025 \$m		2024 \$m	
FAIR VALUE MEASUREMENT FOR SHARES IN LISTED EQUITIES (2024: UNLISTED)	Fair value	Cost	Fair value	Cost
Cuscal Limited	13.7	2.7	10.0	5.5
Total	13.7	2.7	10.0	5.5

Cuscal Limited had an Initial Public Offering (IPO) and listed on the ASX on 25 November 2024. The IPO involved the sale of 134.7 million shares at a price of \$2.50 per share, raising approximately \$337 million. The funds raised were intended to support Cuscal's growth strategy, working capital, and maintain a strong balance sheet. The bank participated in the IPO, selling 50% of its shares and recognising a gain of \$6.1 million net of tax, in Other Comprehensive Income. The remaining shares are measured at fair value using quoted market prices (\$3.00 as at 30 June 2025), with changes in fair value recognised in Other Comprehensive Income.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the bank changes its business model for managing financial assets. There were no changes to any of the bank's business models during the current year (2024: Nil).

9. Non-current assets held for sale

	2025 \$m	2024 \$m
Land and buildings – at fair value	9.6	–
Total	9.6	–

Land and buildings have been classified as held for sale when the carrying amount is to be recovered principally through a sale, and a sale is considered probable. During the current year, four properties became Held for Sale. These properties are reflected at the lower of cost and fair value less costs to sell.

10. Derivative assets held for hedging purposes

The table below provides the fair values and notional amounts of derivative financial instruments held by the bank. The notional amount is reported gross at the amount of the underlying asset, reference rate or index, and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the value of transactions open at year end and are not indicative of market risk or credit risk. Fair value measurement is classified as Level 2 in the fair value hierarchy and the methodology and basis for valuation are explained in Note 23.

	2025 \$m		2024 \$m	
DERIVATIVE ASSETS DESIGNATED AS CASH FLOW HEDGES	Carrying Amount	Notional Amount	Carrying Amount	Notional Amount
Interest rate swaps	0.5	236.6	–	–
Total derivative assets	0.5	236.6	–	–
DERIVATIVE LIABILITIES DESIGNATED AS CASH FLOW HEDGES				
Interest rate swaps	0.6	125.0	–	–
Total derivative liabilities	0.6	125.0	–	–
Total derivatives	(0.1)	361.6	–	–

Interest rate swaps

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

Hedge accounting

The bank determines that any proposed hedging instrument to be used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item before entering the hedge. The relationship between the hedging instrument and the hedged item, its risk management objectives, and its strategy is documented at the inception of the hedge. Existing hedges are tested on a retrospective basis to ensure that gains and losses on any ineffective portion of hedges are reported through profit and loss. Movements in the hedging reserve are provided in Note 19.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of profit or loss and other comprehensive income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

11. Property, plant and equipment

	2025 \$m	2024 \$m
Land and buildings, at fair value	46.0	59.8
Less: Accumulated depreciation	(0.7)	(2.6)
Total land and buildings	45.3	57.2
Plant and equipment at cost	34.3	38.4
Less: Accumulated depreciation	(31.8)	(33.2)
Total plant and equipment	2.5	5.2
Capitalised leasehold improvements, at cost	1.8	1.5
Less: Accumulated amortisation	(0.9)	(1.0)
Total capitalised leasehold improvements	0.9	0.5
Total property, plant and equipment	48.7	62.9

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

	2025 \$m	2024 \$m
Land and buildings, at cost	47.4	45.8
Less: Accumulated depreciation	(22.2)	(20.5)
Carrying amount land and buildings	25.2	25.3

b. Movement in asset balances during the year

	Land and Buildings \$m	Plant & equipment \$m	Leasehold improvement \$m	Total \$m
Carrying amount at 1 July 2023	57.7	6.1	0.4	64.2
Additions	–	1.3	0.3	1.6
Less: Assets disposed	–	(0.1)	–	(0.1)
Less: Depreciation charge	(0.5)	(2.1)	(0.2)	(2.8)
Carrying amount at 30 June 2024	57.2	5.2	0.5	62.9
Carrying amount at 1 July 2024	57.2	5.2	0.5	62.9
Additions	–	1.1	0.7	1.8
Transfer	2.1	(2.1)	–	–
Less: Held for sale	(9.6)	–	–	(9.6)
Less: Assets disposed	(0.8)	(0.1)	–	(0.9)
Less: Depreciation charge	(0.4)	(1.6)	(0.3)	(2.3)
Less: Revaluation decrement	(3.2)	–	–	(3.2)
Carrying amount at 30 June 2025	45.3	2.5	0.9	48.7

Recognition and measurement

Land and buildings class is measured at fair value, net of accumulated depreciation and impairment losses. Any revaluation increments are credited to the property revaluation reserve, unless they reverse a previous decrease in value in the same asset previously debited to profit or loss. Revaluation decreases are debited to profit or loss unless they directly offset a previous revaluation increase in the same asset in the property revaluation reserve. Revaluations are performed every three years by an independent valuer. In addition, an internal assessment is performed yearly to test that the amount is approximate to fair value. The properties were revalued by an independent valuer during the 2025 financial year. The valuation is classified as Level 3 in the fair value hierarchy.

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

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

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

12. Leases

a. Right-of-use assets

	2025 \$m	2024 \$m
Office buildings	3.5	3.0
Less: Accumulated depreciation	(2.7)	(2.1)
Total office buildings	0.8	0.9
Office equipment	0.3	0.3
Less: Accumulated depreciation	(0.1)	(0.1)
Total office equipment	0.2	0.2
Total right-of-use assets	1.0	1.1

Movements in the asset balances during the year were:

	Office buildings \$m	Office equipment \$m	Total \$m
Opening balance at 1 July 2023	2.6	0.3	2.9
Additions	–	–	–
Other adjustments	(1.1)	–	(1.1)
Less: Disposals	(0.1)	–	(0.1)
Less: Depreciation charge	(0.5)	(0.1)	(0.6)
Closing balance at 30 June 2024	0.9	0.2	1.1
Opening balance at 1 July 2024	0.9	0.2	1.1
Additions	0.5	–	0.5
Other adjustments	–	–	–
Less: Disposals	–	–	–
Less: Depreciation charge	(0.5)	(0.1)	(0.6)
Closing balance at 30 June 2025	0.9	0.1	1.0

The bank has leases for offices and office equipment. Aside from short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index, are excluded from the initial measurement of the lease liability and asset. The bank classifies its right-of-use assets in a consistent manner with its property, plant and equipment (Note 11). No right-of-use assets or lease liabilities in relation to the new Shelley Street lease were recognised at 30 June 2025.

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

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

Right of use asset	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office building	0 to 5 years	2 years	1	–	–	–
Office equipment	3 years	3 years	–	–	–	–

b. Lease liabilities

	2025 \$m	2024 \$m
Current	0.5	0.5
Non-current	0.7	0.7
Total lease liabilities	1.2	1.2

Future minimum lease payments at 30 June were as follows:

	MINIMUM LEASE PAYMENT DUE			
	Within 1 year \$m	Between 2 and 5 years \$m	After 5 years \$m	Total \$m
30 June 2025				
Lease payments	(0.6)	(1.1)	(0.2)	(1.9)
Finance charges	0.1	0.1	–	0.2
Net present value	(0.5)	(1.0)	(0.2)	(1.7)

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

The total cash outflow for leases in 2025, including leases of low-value assets was \$1,311,719 (2024: \$1,021,809).

Recognition and measurement

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

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

Bank as lessee

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property, the bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, comprising the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs, and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the bank at the end of the lease term or the bank is reasonably certain to exercise a purchase option. In that case, the right-of-use asset is depreciated over the underlying asset's useful life, which is determined on the same basis as that of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the bank's incremental borrowing rate is used, being the rate that the bank would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the bank obtains interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the bank under residual value guarantees
- The exercise price of a purchase option if the bank is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease unless the bank is reasonably certain not to terminate the lease early.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured if:

- There is a change in future lease payments arising from a change in an index or rate
- If there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- If there is a change in the bank's assessment of whether it will exercise a purchase, extension or termination option, or
- If there is a revision in substance in the fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, unless the right-of-use asset has been reduced to zero, in which case the adjustment is recorded in profit or loss.

Short-term leases and leases of low-value assets

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

	2025 \$m	2024 \$m
Leases of low-value assets	0.7	0.4
Total	0.7	0.4

Determining the lease term

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

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

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

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

The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment, and that it is within the control of the bank.

During the current financial year, the effect of revising lease terms and the incremental borrowing rate was an increase of \$12,280 in the recognised lease liabilities and right-of-use assets (2024: a decrease of \$1,025,255).

13. Intangible assets

	2025 \$m	2024 \$m
Computer software, at cost	22.6	22.5
Less: Accumulated amortisation	(22.1)	(21.9)
Total intangible assets	0.5	0.6

Movement in balances during the year

	2025 \$m	2024 \$m
Opening balance	0.6	0.8
Additions	0.2	0.1
Less: Amortisation charge	(0.3)	(0.3)
Closing balance	0.5	0.6

Recognition and measurement

Internally developed software

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

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

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

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

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

SaaS (Software as a Service)

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

Subsequent measurement

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

- Internally developed software: 2.5 to 4 years

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

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

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

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

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

14. Borrowings

Recognition and measurement

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

Standby borrowing facilities

The bank has borrowing facilities as follows:

	2025 \$m	2024 \$m
Overdraft facility		
Gross facility amount	5.0	5.0
Less: current borrowing	–	–
Net available	5.0	5.0

The bank has an overdraft facility with Cuscal and maintains a security deposit of \$55 million (2024: \$55 million) with Cuscal to secure this facility and settlement services. No other form of security is provided by the bank. Interest rates are variable. As at 30 June 2025, this facility was not utilised.

15. Wholesale sector funding

	2025 \$m	2024 \$m
Negotiable certificates of deposit on issue	528.4	460.9
Floating rate notes on issue	707.9	707.8
Wholesale deposits	197.1	426.5
Total wholesale sector funding	1,433.4	1,595.2

Recognition and measurement

Deposits from other financial institutions

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

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

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

16. Retail deposits

Retail deposits at amortised cost

	2025 \$m	2024 \$m
At call	5,679.1	5,828.4
Term	3,493.4	3,312.3
Member withdrawable shares	2.1	2.4
Total retail deposits	9,174.6	9,143.1

Recognition and measurement

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

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

17. Creditors, accruals and settlement accounts

	2025 \$m	2024 \$m
Creditors and accruals	7.2	4.8
Unearned income	1.4	1.3
Settlement accounts	26.0	25.4
Total creditors, accruals and settlement accounts	34.6	31.5

18. Provisions

	2025 \$m	2024 \$m
Employee entitlements	23.4	25.1
Lease make good of premises	0.4	0.4
Broker trail commission	35.3	37.2
Consumer remediation	0.4	5.1
Sundry	–	0.2
Total provisions	59.5	68.0

Recognition and measurement

Provisions are recognised when the bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

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

Employee entitlements

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

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

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

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

Leasehold make good

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

Broker trail commission

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

Consumer remediation

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

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

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

19. Reserves

	Cash flow hedge reserve \$m	Redeemed member share reserve \$m	Property revaluation reserve \$m	Equity FVOCI reserve \$m	Total reserves \$m
Balance at 1 July 2023	–	1.0	25.9	3.2	30.1
Financial assets FVOCI:					
– Through Other Comprehensive Income	–	–	–	–	–
Transfers to (from retained earnings)	–	–	–	–	–
Balance at 30 June 2024	–	1.0	25.9	3.2	30.1
Balance at 1 July 2024	–	1.0	25.9	3.2	30.1
Cash flow hedges:					
– Current year gains / (losses)	(0.1)	–	–	–	(0.1)
Financial assets FVOCI:					
– Through Other Comprehensive Income	–	–	(3.0)	10.5	7.5
Transfers to (from) retained earnings	–	0.3	0.3	(6.0)	(5.4)
Balance at 30 June 2025	(0.1)	1.3	23.2	7.7	32.1

Recognition and measurement

Redeemed member share reserve

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

Property revaluation reserve

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

Equity FVOCI reserve

Refer to Note 8.

20. Financial risk management

Overview of risk management framework

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

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

a. Credit risk

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

Credit risk management framework

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

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

Loans and advances – credit risk

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

(i) Concentration risk

Individual customers or groups of related customers

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

Specific employment sectors

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

Geographical concentration

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

(ii) Collateral held against loans and advances

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

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

	2025 \$m	2024 \$m
Secured by mortgage over business assets	0.2	0.2
Secured by mortgage over real estate	9,193.3	9,258.6
Partly secured by goods mortgage	9.3	12.8
Wholly unsecured	143.6	156.9
Total	9,346.4	9,428.5

Home loans

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

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

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

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:	2025 \$m	2024 \$m
Loan to valuation ratio of 80% or less	7,257.2	7,193.5
Loan to valuation ratio of more than 80% but mortgage insured	820.4	1,059.8
Loan to valuation ratio of more than 80% with First Home Loan Deposit Scheme guarantee	1,016.7	904.5
Loan to valuation ratio of more than 80%, not mortgage insured and no First Home Loan Deposit Scheme guarantee	99.0	100.8
Total	9,193.3	9,258.6

Other consumer loans

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

Loans and advances – credit quality

The tables below disclose the gross carrying amount¹ of loans and advances measured at amortised cost, and off balance sheet exposures in line with the requirements of AASB 9 Financial Instruments.

30 June 2025	Stage 1¹ \$m	Stage 2¹ \$m	Stage 3¹ \$m	Total \$m
Credit exposure				
Home loans	8,894.3	236.5	60.9	9,191.7
Personal loans	84.8	1.0	0.6	86.4
Credit cards	53.3	0.5	0.2	54.0
Overdraft	14.0	0.2	0.1	14.3
Total on balance sheet	9,046.4	238.2	61.8	9,346.4
Off balance sheet				
Undrawn commitments	1,175.9	13.5	0.4	1,189.8
Total loans and advances	10,222.3	251.7	62.2	10,536.2

30 June 2024	Stage 1¹ \$m	Stage 2¹ \$m	Stage 3¹ \$m	Total \$m
Credit exposure				
Home loans	8,241.1	952.9	63.4	9,257.4
Personal loans	97.4	1.1	0.9	99.4
Credit cards	55.3	0.4	0.4	56.1
Overdraft	15.4	0.1	0.1	15.6
Total on balance sheet	8,409.2	954.5	64.8	9,428.5
Off balance sheet				
Undrawn commitments	986.1	20.6	0.2	1,006.9
Total loans and advances	9,395.3	975.1	65.0	10,435.4

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

Investments – credit risk

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

Investments – credit quality

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

30 June 2025	No. of institutions	Carrying value \$m
INVESTMENTS RATED:		
A-1+ to A-1 (short-term)	8	481.1
A-2 (short-term)	14	245.0
AAA (long term)	3	68.6
AA+ to AA- (long term)	9	815.9
A+ to A- (long-term)	7	232.3
BBB+ to BBB (long-term)	5	134.6
Total		1,977.5

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

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

b. Liquidity risk

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

Key controls and risk mitigation strategies include:

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

As an Authorised Deposit-taking Institution (ADI) regulated by the Australian Prudential Regulation Authority (APRA), we are required to comply with the requirements of prudential standard APS 210 Liquidity (APS 210). As a Minimum Liquidity Holding ADI, the bank must maintain a minimum holding of 9% of its liabilities in specified liquid assets, in accordance with APS 210.

Contractual maturity of financial assets and liabilities

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

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

30 June 2025

	Within 1 month \$m	> 1 to 3 months \$m	> 3 to 12 months \$m	> 1 to 5 years \$m	> 5 years \$m	No Maturity \$m	Total \$m	Statement of financial position \$m
Assets								
Cash and cash equivalents	132.2	–	–	–	–	–	132.2	132.2
Receivables	12.2	1.7	12.4	110.7	17.7	–	154.7	19.7
Other financial assets	192.8	178.5	472.8	947.3	54.5	13.7	1,859.6	1,859.6
Loans and advances to members	70.5	140.3	626.0	2,924.0	13,065.4	–	16,826.2	9,392.3
Derivative assets held for hedging purposes	1.0	2.2	5.9	2.6	–	–	11.7	0.5
Total financial assets	408.7	322.7	1,117.1	3,984.6	13,137.6	13.7	18,984.4	11,404.3
Liabilities								
Wholesale sector funding	131.9	292.0	747.7	308.4	–	–	1,480.0	1,433.4
Retail deposits	4,579.5	1,026.3	2,449.6	1,169.3	–	3.8	9,228.5	9,174.6
Creditors, accruals and settlement accounts	34.6	–	–	–	–	–	34.6	34.6
Derivative liabilities held for hedging purposes	1.0	2.2	6.7	3.3	–	–	13.2	0.6
Total financial liabilities	4,747.0	1,320.5	3,204.0	1,481.0	–	3.8	10,756.3	10,643.2

30 June 2024

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

c. Market risk

The predominant market risk the bank is exposed to is interest rate risk in the banking book. Interest rate risk is the potential change in the bank's net interest income and capital position arising from changes in interest rates. Market risk is the risk that market rates and prices will change and that this may have an adverse effect on the profitability of the bank. The bank has limited exposure to currency or other price risk. The bank uses derivative financial instruments to manage interest rate risk and to stabilise income and value through interest rate cycles. Derivative financial instruments are not entered into for trading or speculative purposes. Rather, hedging activity is undertaken for the sole purpose of reducing the bank's interest rate risk exposures relative to defined risk tolerances. Key controls and risk mitigation strategies include:

- A Board-approved risk appetite and risk management framework for interest rate risk, with controls defined in the Interest Rate Risk Management Policy and Risk Appetite Statement
- Monitoring of market risk exposures against Board-approved limits, including earnings at risk, value at risk and sensitivity analysis, with monthly position reporting provided to ALCo and Board
- Monitoring of product totals to targets and the impact on current and future profitability from possible interest rate changes
- Execution of hedging strategy, with the use of derivative financial instruments (swaps) to maintain interest rate risk within approved appetite and tolerance limits
- Pricing appropriately for risk.

Earnings at Risk (EaR)

EaR is measured through sensitivity analysis, which applies a specified basis point parallel shock in interest rates across a forecasted period. The prospective change to net interest income is measured by using a forecasting simulation model that incorporates both existing and anticipated new business in its assessment. The results are monitored against the Board's risk appetite each month.

As at 30 June 2025, the EaR interest rate risk measure based on a 100bps downwards parallel shift during a 12-month period was \$24.5 million or 10.84% of net interest income.

Sensitivity

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

The results are measured against capital and monitored against the Board's risk appetite each month.

Value at Risk (VaR)

VaR is a statistical technique used to measure and quantify the valuation risk over a specific holding period at a given confidence level. The bank's approach is based on two historical interest rate simulations. The first uses a 1,500 business day observation period and consists of a confidence level of 99% within a 250-day holding period. The second scenario uses a 250 business day observation period and consists of a confidence level of 99% within a 20-day holding period.

The results are measured against the capital of the bank and monitored against the Board's risk appetite each month.

The table below represents the close, average, minimum and maximum VaR using scenario 2 as measured at the end of each month over the financial year:

	2025	2024
As at 30 June	0.30%	0.44%
Average	0.26%	1.48%
Minimum	0.15%	0.44%
Maximum	0.44%	3.22%

Modelling

In determining exposures, the bank combines cash flows into time buckets based on the expected repricing periods.

Consideration is given for both customer and market behaviour, which may differ from the contractual dates as this better reflects the risk in the portfolio.

Interest rate change profile of financial assets and liabilities

Financial asset and liability contracts allow interest rates to be amended on maturity, at predefined points in time or after proper notice is given. The table below reflects the value of funds where interest rates may be altered within prescribed time bands, being the earlier of the contractual repricing date or the maturity date.

30 June 2025	Within 1 month \$m	> 1 to 3 months \$m	> 3 to 12 months \$m	> 1 to 5 years \$m	> 5 years \$m	Non-interest bearing \$m	Total \$m
Assets							
Cash and cash equivalents	131.6	–	–	–	–	0.6	132.2
Receivables	–	–	–	–	–	19.7	19.7
Other financial assets	445.4	1,330.1	69.9	0.5	–	13.7	1,859.6
Loans and advances to members	8,496.0	136.2	376.9	335.4	1.8	0.1	9,346.4
Derivative assets held for hedging purposes	0.5	–	–	–	–	–	0.5
Total financial assets	9,073.5	1,466.3	446.8	335.9	1.8	34.1	11,358.4
Liabilities							
Wholesale sector funding	428.4	692.2	271.6	30.4	–	10.8	1,433.4
Retail deposits	4,578.5	1,019.5	2,407.8	1,165.0	–	3.8	9,174.6
Creditors, accruals and settlement accounts	–	–	–	–	–	34.6	34.6
Derivative liabilities held for hedging purposes	0.6	–	–	–	–	–	0.6
On-statement of financial position	5,007.5	1,711.7	2,679.4	1,195.4	–	49.2	10,643.2
Undrawn loan commitments (see Notes 24a, 24b, 24c)	1,189.8	–	–	–	–	–	1,189.8
Total financial liabilities	6,197.3	1,711.7	2,679.4	1,195.4	–	49.2	11,833.0

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

21. Capital management

Capital adequacy

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

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

Capital resources

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

Level of capital	Definition
Tier 1 capital	The majority of the bank's Tier 1 capital consists of Common Equity Tier 1 (CET 1) capital, which comprises retained earnings and reserves.
Tier 2 capital	Consists of provisions eligible for inclusion in Tier 2 capital.

Risk weighted assets

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

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

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

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

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

	2025		2024	
	\$m	Ratio %	\$m	Ratio %
Common Equity Tier 1 Capital	734.4	16.90	690.6	15.45
Tier 1 capital	734.4	16.90	690.6	15.45
Total capital	739.2	17.01	697.2	15.59

22. Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	Note	2025 \$m	2024 \$m
FINANCIAL ASSETS			
Financial assets – carried at amortised cost			
Cash and cash equivalents	4	132.2	155.9
Receivables	7	19.7	11.1
Other financial assets	8	1,845.9	1,833.2
Loans and advances to members	5	9,392.3	9,477.0
Total carried at amortised cost		11,390.1	11,477.2
Financial assets – carried at fair value			
Other financial assets			
– Share in listed (2024: unlisted) companies at fair value through other comprehensive income	8	13.7	10.0
Derivative assets held for hedging purposes	10	0.5	–
Total financial assets		11,404.3	11,487.2

	Note	2025 \$m	2024 \$m
FINANCIAL LIABILITIES			
Financial liabilities – carried at amortised cost			
Wholesale sector funding	15	1,433.4	1,595.2
Retail deposits	16	9,174.6	9,143.1
Creditors, accruals and settlement accounts	17	34.6	31.5
Total carried at amortised cost		10,642.6	10,769.8
Financial liabilities – carried at fair value			
Derivative liabilities held for hedging purposes	10	0.6	–
Total financial liabilities		10,643.2	10,769.8

23. Fair value of financial assets and liabilities

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

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

	2025 \$m	2025 \$m	2024 \$m	2024 \$m
Assets	Fair value	Carrying value	Fair value	Carrying value
Cash and cash equivalents	132.2	132.2	155.9	155.9
Receivables	19.7	19.7	11.1	11.1
Other financial assets	1,862.6	1,859.6	1,845.2	1,843.2
Loans and advances to members	9,387.3	9,392.3	9,386.0	9,477.0
Total financial assets	11,401.8	11,403.8	11,398.2	11,487.2
Liabilities				
Wholesale sector funding	1,436.4	1,433.4	1,594.2	1,595.2
Retail deposits	9,182.6	9,174.6	9,148.1	9,143.1
Creditors, accruals and settlement accounts	34.6	34.6	31.5	31.5
Total financial liabilities	10,653.6	10,642.6	10,773.8	10,769.8

Fair value estimates were determined using the following methodologies and assumptions.

Liquid assets and receivables from other financial institutions

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

Loans and advances

The carrying value of loans and advances is net of unearned income and provision for expected credit losses. For variable rate loans (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e., the net present value of the portfolio's 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.

Borrowings and retail deposits

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. The quoted gross price was used to calculate the fair value of long-term debt securities. Discounted cash flows were used to calculate the fair value of term deposits, based upon the deposit type and the rate applicable to its related period maturity.

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

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

Derivatives held for hedging purposes

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

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

Fair value measurement at end of the reporting period using:	2025			
	\$m	\$m	\$m	\$m
FINANCIAL ASSETS AT FVOCI	Balance	Level 1	Level 2	Level 3
Shares in unlisted companies	13.7	13.7	–	–
Derivatives	0.5	–	0.5	–
Total financial assets	14.2	13.7	0.5	–
Fair value measurement at end of the reporting period using:	\$m	\$m	\$m	\$m
	Balance	Level 1	Level 2	Level 3
FINANCIAL LIABILITIES AT FVOCI				
Derivative liabilities	0.6	–	0.6	–
Total	0.6	–	0.6	–
Fair value measurement at end of the reporting period using:	2024			
	\$m	\$m	\$m	\$m
FINANCIAL ASSETS AT FVOCI	Balance	Level 1	Level 2	Level 3
Shares in unlisted companies	10.0	–	–	10.0
Derivatives	–	–	–	–
Total	10.0	–	–	10.0

The fair value hierarchy has the following levels:

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

Shares in listed companies at fair value through OCI

The bank has measured the shares at fair value using quoted market prices and classified them as level 1 (2024: level 3). Refer to Note 8.

Cash flow hedge derivatives

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

24. Financial commitments

a. Outstanding loan commitments

	2025 \$m	2024 \$m
Loans approved but not funded	241.4	141.6

b. Loan redraw facilities

	2025 \$m	2024 \$m
Loan redraw facilities available	669.5	582.4

c. Undrawn loan facilities

	2025 \$m	2024 \$m
LOAN FACILITIES AVAILABLE TO MEMBERS FOR OVERDRAFTS AND CREDIT CARDS ARE AS FOLLOWS:		
Total value of facilities approved	347.1	354.6
Less: Amount advanced	(68.2)	(71.7)
Net undrawn value	278.9	282.9

d. Future capital commitments

	2025 \$m	2024 \$m
THE BANK HAS ENTERED INTO A CONTRACT TO PURCHASE PLANT AND PROPERTY FOR WHICH THE AMOUNT IS TO BE PAID OVER THE FOLLOWING YEARS:		
Not later than one year	0.3	0.3
Later than one year but not five years	–	0.7
Total	0.3	1.0

e. Lease expense commitments for low-value

	2025 \$m	2024 \$m
OPERATING LEASES ON PROPERTY OCCUPIED BY THE BANK AND IT EQUIPMENT:		
Not later than one year	0.7	0.2
Later than one year but not five years	0.7	0.1
Total	1.4	0.3

25. Contingent liabilities

Liquidity support scheme

The bank is a member of the Mutual Bank Financial Support Scheme Limited (CUFSS), a company limited by guarantee, established to provide financial support to member Australian mutual ADIs in the event of a liquidity or capital problem. As a member, the bank is committed to maintaining a balance of deposits in an approved form, as determined below.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3.0% of the bank's total assets, capped at a maximum of \$100 million. This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC. At the reporting date there were no loans issued under this arrangement.

Reserve Mutual Bank Repurchase Obligations (REPO) Trust

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

Guarantees provided for Members

	2025 \$'000	2024 \$'000
Bank guarantees provided for members	–	49.0

26. Key management personnel and related party transactions

a. Remuneration of key management personnel (KMP)

Key management of the bank are the members of the bank's Board of Directors and members of the Executive Management.

	2025 \$'000			2024 \$'000		
	Directors	Other KMP	Total	Directors	Other KMP	Total
Short-term employee benefits	809.7	6,069.5	6,879.2	830.6	4,844.0	5,674.6
Post-employment benefits	93.1	298.5	391.6	109.5	311.0	420.5
Other long-term benefits	–	213.0	213.0	–	184.6	184.6
Termination benefits	–	421.6	421.6	–	2,726.4	2,726.4
Total remuneration	902.8	7,002.6	7,905.4	940.1	8,066.0	9,006.1

Short-term employee benefits include salaries, paid annual leave and paid sick leave, the value of fringe benefits received, and exclude out-of-pocket expense reimbursements. All remuneration to Directors was approved by members at the previous Annual General Meeting.

Post-employment benefits include contributions to superannuation.

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

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

	2025 \$'000		2024 \$'000	
	Loans	Revolving credit facilities	Loans	Revolving credit facilities
Funds available to be drawn	–	2	413	36
Balance	2,794	1	498	2
Amounts disbursed or facilities increased in the year	2,973	–	–	1
Interest and other revenue earned	165	–	44	1

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

	2025 \$'000	2024 \$'000
Total value term and savings	417	2,599
Total interest paid on deposits	50	87

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

d. Transactions with other related entities

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

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

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

27. Segmental reporting

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

28. Transfers of financial assets

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

Securitised loans retained on-statement of financial position

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

The value of securitised loans that do not qualify for de-recognition is set out below. Loans comprise variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year, the bank assigned no additional loans (2024: \$1,311 million) to the trust.

	2025 \$m	2024 \$m
Total amount of securitised loans under management	1,525.3	1,906.9

29. Reconciliation of cash from operations to accounting profit

	2025 \$m	2024 \$m
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after income tax for the period	36.7	24.5
Adjustments for:		
Impairment of loans and advances	0.9	0.3
Depreciation, amortisation and impairment	3.2	3.7
Provision for employee entitlements	(1.7)	(0.4)
Other provisions	(2.1)	5.1
Profit on disposal of plant and equipment	(0.4)	–
NET CHANGES IN ASSETS AND LIABILITIES		
Receivables	0.8	0.3
Prepayments and other assets	–	(1.7)
Creditors, accruals and settlement accounts	2.7	(2.3)
Interest payable	(10.5)	5.6
Unearned income	0.1	(0.1)
Change in loans and advances to members	79.2	(599.5)
Change in retail deposits	27.1	777.8
Change in current income tax	(0.2)	0.5
Change in deferred taxes	1.5	(1.5)
Property revaluation reserve realised	0.3	–
Net cash from operating activities	137.6	212.3

30. Events occurring after balance date

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

31. Corporate information

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

Consolidated entity disclosure statement

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

