



2020  
**Annual  
review.**

# **ME's strong financial results and the continued growth of the business**

are evidence of the ongoing success of our strategy of creating a genuine banking alternative for everyday Australians. ME is taking significant steps towards its three-year vision to be a truly digital bank.

# FY20 business and financial highlights.



Underlying net profit after tax (NPAT) was **\$123.9 million**, an **increase of 24%** on the previous financial year, and underlying return on equity (ROE) was 9.0%.



ME settled over **\$5.5 billion** of new home loans.



Customer numbers increased by **7% to 551,559**.



Total assets **grew by 2% to \$30.3 billion**.



Cost-to-income ratio **decreased by 630 bps to 58.5%**.

Net interest income (NII) **increased 10% to \$457.1 million**. Net interest margin (NIM) increased 7 basis points to 1.66%.



ME introduced **Apple Pay** and **Google Pay** for cardholders.



Customer deposits **grew by 5% to \$17.2 billion**, continuing diversification of the funding profile.



Throughout the COVID-19 pandemic, ME's priority has been for the **welfare of our people and our customers**:

- Supported 9,500 customers via pausing repayments on their credit products.
- Automatically paid bonus rates on our online savings account to more than 78,000 customers.
- Enabled 98% of employees to be able to work from home within weeks of the pandemic starting.



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# Message from the Chairman.



**The 2020 financial year has been a year of extreme events. From drought to bushfires, a global pandemic and the resulting economic repercussions. It is a year that has tested our strength individually, as a community, and as a business. The welfare of our people during these challenging times has been a priority, as has been ensuring business continuity and increased support for our customers.**

ME adapted quickly to the COVID-19 environment, with our priority at all times being the welfare of our people, our customers, and the broader community.

We are determined to keep our customers in their homes and provide tangible and meaningful support in these times of need. We have introduced a range of measures to support customers, such as pausing home loan repayments for up to six months. This has been extended to personal loans and credit cards. Credit card late fees are also being waived for those on a repayment pause.

ME Bank has committed employees. They have stepped up in difficult times. Of course, the present situation is disruptive, but I have been very impressed by their responsiveness and flexibility in undertaking work remotely, and in new ways. Our branchless approach to banking means that our team has been able to assist our customers when most needed.

## STRONG FINANCIAL RESULTS

ME reported strong financial results for the financial year ending 30 June 2020 with statutory profit after tax of \$80.8 million, up 20% on the prior year, and underlying net profit after tax of \$123.9 million, an uplift of 24% on the prior year. This result, achieved against the backdrop of both the COVID-19 pandemic and a hyper-competitive home loan market, is evidence of the continued success of our strategy of creating a genuine banking alternative for everyday Australians.

## STRONG CAPITAL POSITION

The Bank is well capitalised with a strong balance sheet and we actively manage the risks inherent in banking. Since the 2008–2009 GFC, we have purposefully continued to strengthen our balance sheet and, as a result, it is strong.

We continue to take a prudent approach to the management of our capital, liquidity and funding.

## STRATEGY

ME's long-term strategy is to create a genuine banking alternative for all Australians. It goes to the heart of our strategic priorities and the customer and growth initiatives the Bank undertakes.

In terms of growth, and in the context of the highly competitive home loan market, our strategy is grounded in profitable growth and the provision of simple, fair and transparent products and services. As well, we constantly strive to achieve operational efficiencies and simplification of processes and services to ensure sustainable, long-term growth.

The Bank's technology and digital transformation is also a strategic priority, particularly the finalisation of our transition to a single core banking platform that is scheduled for completion in the second half of the 2021 financial year.

## COMMITMENT TO OUR CULTURE AND VALUES

The socially driven purpose behind our Bank and shareholders has been fostered and encouraged at the Bank since its establishment. Our people are advocates of this purpose and as a result there is a strong and positive employee culture and a passionate commitment to the Bank's core values.

I would like to take this opportunity to thank the ME team and commend all of our ME people for going above and beyond to support our customers, our communities and their ME colleagues during these unprecedented times.

## GOVERNANCE AND RISK MANAGEMENT

The Board takes corporate governance very seriously and considers an ongoing review of procedures as an integral element of our business strategy.

The Board has a robust risk management framework to identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk across the Bank.

No one knows how the COVID-19 pandemic will play out, other than that there will be an end to it. The consequences for the broader economy will not be minimal. All we can do is be alert to the situation and nimble in our responses. The Bank's financial and business strength and the actions we are taking will sustain us.

## BOARD AND MANAGEMENT CHANGES

Financial Year 2020 has seen change and renewal on the ME Bank Board.

Greg Combet retired as a Non-Executive Director in February, after five years on the Board, to concentrate on his roles as Chair of IFM Investors and Industry Super Australia.

In June, Elana Rubin resigned, as she took up the role of Chair of Afterpay, having been on the Board since October 2016. Christine Christian tendered her resignation as a Non-Executive Director of ME Bank effective 31 July 2020, due to a potential conflict of interest. Christine has served on the Board for seven and a half years.

I would like to acknowledge and thank Greg, Elana and Christine for their commitment and significant contributions to ME.

We are pleased to welcome Deborah Kiers as a new Non-Executive Director, effective 31 July 2020. Deborah's breadth of experience in financial services and skills in strategy development and implementation, business transformation and developing performance culture in organisations will complement the Board's existing skill set.

After ten and a half years, Jamie McPhee resigned as CEO of ME Bank effective 31 July 2020. Jamie made a significant contribution to the Bank, steering it through considerable changes in the industry and macroeconomic environment. Jamie transformed the scale and extent of ME's retail offering to customers. ME increased significantly in both size and relevance during his tenure, growing its customer numbers from 234,000 to 552,000, and its assets by 50% to almost \$30 billion. Jamie leaves ME with my thanks and best wishes for the future.

The Board appointed Adam Crane, Chief Financial Officer for ME Bank, as Acting CEO while it undertakes the process leading to the appointment of a new CEO.

## LOOKING AHEAD

The COVID-19 pandemic has challenged us as a business and as a nation – and will continue to do so in the months and year ahead. The Board is also cognisant of both the risks and the growth opportunities inherent in a changing industry and macroeconomic environment.

However, we remain committed to our business strategy, our purpose and supporting the financial wellbeing of our customers and communities.

On behalf of the Board, I would like to thank everyone at ME for their commendable efforts and dedication during the year and express gratitude to our customers and shareholders for their ongoing support.

Yours sincerely,

**James Evans**  
Chairman



# Message from the CEO.



"Despite the uncertain environment we are operating in, I am confident in ME's future given the quality of our people, the financial strength of the Bank and our commitment to providing a genuine banking alternative."

**The year has been one of the most challenging years Australians have faced in recent history. At ME we have been absolutely focused on the welfare and support of our people, our customers, and the community.**

Our purpose is to help Australians get ahead and in these unprecedented times, a large part of that has been helping our customers get back on their feet. It has been heartening to see the ME team mobilise to deliver the extra support and service our customers have needed in these uncertain times.

Our branchless business model, team culture and size meant that we could adapt quickly and ensure business continuity and no interruption of services to our clients.

I would like to acknowledge the outstanding contribution by our former CEO, Jamie McPhee, who steered the Bank through considerable changes and transformed the scale and extent of ME's retail offering to customers.

In the role of Acting CEO, I am proud to report to you on ME's results for the 2020 financial year.

The results were achieved against the backdrop of the COVID-19 pandemic and a hyper-competitive home loan market and demonstrates the business's strength, resilience and the advantage of our simplified business model.

## PURSUING PROFITABLE GROWTH

Our strategy to pursue profitable growth saw ME report underlying net profit after tax (NPAT) of \$123.9 million, up 24% on the prior year.

The year was characterised by aggressive price competition, low growth, and subdued consumer confidence. In this environment we focused our attention on profitable, sustainable growth. As a result, net interest income increased by 10% to \$457.1 million and our home loan portfolio increased by 2% to \$25.5 billion.

These conditions intensified in the second half of the year, with the onset and impacts of the COVID-19 pandemic. Notwithstanding these sector and economic conditions, customer numbers increased by 7% to 551,559, reflecting the effectiveness of our drive to deliver simple, transparent, and competitive products and services that help all Australians get ahead.

## BUSINESS & FINANCIAL PERFORMANCE

We saw healthy growth in deposits and home loans. The attractiveness of ME's deposit products, and our brand, was recognised by customers and reflected in the growth in the deposit book.

Statutory net profit after tax increased by 20% to \$80.8 million, and factors in the significant impact of COVID-19 bad debt provision (\$42 million pre-tax) and our ongoing investment in transitioning to a single core banking system. Net interest margin increased by 7 bps to 1.66% compared to the previous year.

### **Embedding operational efficiencies.**

The management of costs and embedding operational efficiencies has contributed to a significant reduction in our cost-to-income ratio, reducing by 630 bps to 58.5% from 64.8%, in the prior year.



## Funding and capital position.

Our balance sheet has strengthened during the year and we are in a robust and resilient financial position. Strict capital discipline and our increasing customer numbers resulted in funding quality improving across the year with household deposits now constituting 59.4% of ME's loan assets (excluding securitisation), up from 56.3% in June 2019. This was driven by a \$0.9 billion increase in customer deposits, up 5% to \$17.2 billion. Our capital position is strong as reflected by an uplift of Common Equity Tier 1 ratio by 30 basis points to 9.8%.

## COVID-19

### Customer-first.

In response to the COVID-19 pandemic, we quickly introduced a range of measures, including a reduced fixed home loan rate, an extensive customer communications campaign and an option to defer home loan repayments. We increased 'tap and go' payment limits to help customers avoid contact in the face of COVID-19 restrictions and enabled easy methods to access relief measures, including the option to submit home loan pause and 'resume payment' requests online. ME was also one of the first banks to pioneer a new virtual customer verification system to support our mobile lenders and broker partners conduct virtual rather than in-person meetings.

## Supporting our people.

The health, welfare and safety of our people has been a central priority. We implemented a diverse set of employee engagement initiatives designed to help our team to adapt swiftly to remote working conditions and routines. Pleasingly, our culture and size has enabled us to be fast and flexible in our transition to this new mode of working. We now have almost all of our workforce working remotely. Additionally, we introduced a Pandemic Leave Policy which entitled all employees to two weeks leave for special circumstances.

## THE 2020 BUSHFIRES

At the beginning of 2020, Australia experienced devastating bushfires which affected a vast swathe of the eastern seaboard. ME responded swiftly by proactively reaching out to affected customers to offer hardship support, with simplified access processes. We also extended our free internal counselling support service to bushfire impacted customers.

## DIGITAL TRANSFORMATION

### Our vision is to be a truly digital bank.

This will enable us to better serve our customers, to deliver a frictionless and intuitive digital experience and become more efficient through delivery of a scalable business model, for the benefit of our shareholders, our customers, and our people.

During the year we implemented the foundations for the strategy and have enhanced the customer experience through the implementation of services such as Apple Pay and Google Pay.

The Bank continued to progress towards full migration to a modern core banking system – Temenos T24. We are now originating all of our retail products on the system and have migrated all but a cohort of home loans across. The final customer migration is planned for completion this financial year.

## LOOKING FORWARD

Australia entered its first recession in 29 years as a result of the economic impacts of the COVID-19 pandemic. The full effects of this are yet to totally play out; however, slowed growth, a step-change increase in unemployment and continuing uncertainty have emerged as dominant themes.

ME starts the 2021 financial year with a strengthened balance sheet and we will continue to take a cautious approach to ensure we actively manage our capital, liquidity and funding.

With interest rates at record lows, and in our view remaining low for some time, we will continue to focus on profitable, sustainable long-term growth.

Our three-year strategy to be a truly digital bank will support our growth and development and our promise to provide a genuine banking alternative.

I would like to thank all those who have made these achievements possible in a year of significant uncertainty and challenge. The engagement with our customers, the tireless efforts of our staff, the guidance of our Board, and the strong support of our shareholders, have each contributed to our success in the 2020 financial year.

Yours sincerely,

**Adam Crane**  
Acting CEO



# Strategy.

**In 1994, ME was created by the industry super funds to help everyday Australians reach the dream of owning their own home. These days we're a fully-fledged bank, and we remain proud of our unique ownership model.**

We are driven by our purpose to help everyday Australians get ahead, and our promise is to be the genuine banking alternative that Australians need. To continue to deliver on this promise we are focused on transforming to be a truly digital bank that provides the customer experience and competitive products and services that our customers want and will need in the future.

The Bank has seven core strategic priorities to deliver this strategy:

## 1.

### **Focus on our core purpose.**

We will remain differentiated by our brand, our heritage and our purpose. We are a different bank.

## 2.

### **Focus on a core set of products.**

We will help Australians get ahead by offering a core set of retail banking products that meet the personal banking needs of the majority of Australians.

These include:

- home loans
- personal loans
- credit cards
- an everyday transaction account and online savings account
- term deposits

# 3.

## **Create frictionless and intuitive digital channels.**

We will continue to uplift the digital experience for our customers, enabling them to 'bank in an instant' via their computer, tablet, phone or other device.

# 5.

## **Provide simple product processes that 'just work'.**

We will ensure our processes are simple and frictionless for customers to apply, change and use any of our products.

# 4.

## **Be customer-focused with a 'customer-first' mindset.**

We will be customer-focused in everything we do both internally and externally to drive the best customer experiences and outcomes.

# 6.

## **Execute effectively.**

We will enable the organisation to rapidly and effectively deliver the capabilities through empowered teams and agile and flexible business architecture.

# 7.

## **Operate efficiently.**

We will be a lean business enabled by a streamlined, modern and effective technology environment that drives efficient processes and outcomes. We will continually seek opportunities to eliminate, optimise, digitise, and automate processes while enhancing the customer experience.

# ME's COVID-19 response.

ME adapted quickly to the COVID-19 environment. Our branchless business model, team culture and smaller size has allowed us to swiftly address the challenges of the pandemic for our people and customers.

We were quick to adapt our systems and processes to support customers, working with key business partners to offer new ways for consumers to access the banking services they need, via enhanced online and digital support services.

ME continues to work closely with regulators, the Australian Banking Association and other industry stakeholders on the design and execution of our COVID-19 support program, recognising the important role ME and our industry peers have been, and will continue to play in supporting all Australians get through, and recover from, the pandemic.

## Support for staff and community.

ME's primary focus since the outset of the COVID-19 pandemic has been the wellbeing of its customers and its people, and providing access to short and long-term options that will support them through the COVID-19 environment. For customers, our primary form of support as they weather the impacts of the pandemic has been the option to defer their loan repayments for up to six months. The Bank assisted over 9500 customers with repayment deferrals, approximately 9.5% of ME's lending arrangements.

Ways ME has supported its people and customers during COVID-19 include:

### Customers

- allowing impacted customers to defer their loan repayments for up to six months
- waiving the bonus interest rate qualification for Online Savings Accounts allowing customers to continue receiving bonus interest without making physical card transactions
- increasing contactless card payment limits from \$100 to \$200
- online customer portal for faster customer communications and request processing for home loan repayment pause and reinstatement requests
- the Virtual Identity Verification processes introduced early in the pandemic by ME to help brokers and mobile bankers verify the identity of customers virtually rather than the usual face-to-face method

### Staff

- the Pandemic Leave Policy that entitled all employees to two weeks leave for special circumstances
- 98% of our people are technology-enabled to work from home throughout the pandemic period
- \$300 allocation for staff to purchase equipment to ensure they are set up safely to work from home
- the ME-Day awarded to all ME staff – an extra day off to focus on their health and wellbeing
- mental health sessions for all staff led by an expert to focus on mediation and mindfulness
- people leader training – a six-week leadership program teaching leaders how to adapt to leading remotely
- the ME-branded masks to Melbourne-based staff during Stage 4 restrictions
- increased focus on staff communication – an overwhelming majority (91%) of ME staff believe their leaders are keeping them informed about the Bank's response to COVID-19





# MEa Culpa.

In April 2020, the Bank made changes to an older home loan product, which resulted in four per cent of ME Bank's customers having their redraw limit adjusted.

This upset some of our customers, and some of those customers told us they wanted us to change their redraw limit back to what it was before – which we did.

When we got customer feedback we moved quickly to 'right the wrong.' We went about this by:

- telling customers that we would change back their redraw limits
- publishing full page advertisements in all the daily newspapers saying we were sorry, accepting responsibility, and advising customers that we would change back their redraw limits
- establishing a dedicated hotline and dedicated online request mechanism, to allow customers to easily request to have their redraw limit changed back
- adding extra staff and extending the hotline hours of operation.

As of 16 August 2020, less than a quarter of customers whose redraw limits were adjusted have asked for their balances to be reinstated.

We approached this with the right intention and in the interests of our customers, but we got the timing and the communications wrong. We should have done better.

We are deeply sorry for the upset we caused to some of our customers in relation to adjusting their redraw facility. For a bank that prides itself on its close relationship with its customers, this was particularly disappointing.



## MEa culpa.

We're sorry.

We have received feedback from some of our customers over the last week which we have heard, loud and clear.

We recently made changes to an older home loan product which resulted in some customers having their redraw limit reduced.

Some customers have told us they want us to change their redraw limit back to what it was before. So we are going to do that.

We are deeply sorry. We were trying to do the right thing but we went about it the wrong way. It's time to put this right.

We would like to reassure you that we never removed or transferred any of our customers' funds - the only change was to the redraw limit for some customers.

Our priority now is to help and support our customers, and we're 100% committed to helping each and every one.

We recognise we need to do better. We can and we will.

**For any customer who would like their redraw limit changed back, visit [mebank.com.au/changebackredraw](http://mebank.com.au/changebackredraw) or call our hotline on 1300 654 997**





# 2020 customer outcomes.

## CUSTOMER GROWTH

During the year, ME grew its customer base by 7% from 517,868 to 551,559. The growth is reflective of the breadth and competitiveness of the ME product offering, with growth driven by the ongoing success of our strategy of creating a genuine banking alternative for everyday Australians. Growth this year was driven by the design and pricing of ME's deposit and transaction products, which supported the attraction of a younger demographic.

## MOST POPULAR NEW PRODUCT: SIMPLER SAVINGS

On 1 October 2019, ME relaunched the enhanced Online Savings Account/Everyday Transaction Account. The product bundle was hugely successful, exceeding both customer growth and Funds Under Management (FUM) targets and contributing strongly to customer growth surpassing the \$4 billion FUM milestone.

The relaunched product supported customers in maximising their savings by:

- simplifying the bonus eligibility criteria to a minimum of 4 (settled) 'tap & go' transactions per month, instead of the previous confusing '1 per week'
- allowing customers to earn bonus interest on multiple Online Savings Accounts to support their 'bucket budgeting' strategies
- simplifying the Internet Banking & Mobile App customer experience and notifications for when eligibility criteria is achieved

## HELPING MORE AUSTRALIANS ACHIEVE HOME OWNERSHIP

ME broadened its credit policy in the 2020 financial year to better help more Australians realise the dream of home ownership, through the introduction of new policies. This included Casual Contractor Policy that recognises the changing nature of the modern workforce. ME also supported property market investors seeking to get into the market, by reducing the required deposit for interest-only accounts to 10% from the previously required 20%. These broadened policies were introduced to support customers but remain underpinned by prudent credit and lending policies that reflect the market conditions of the time and protect customers' best interests.

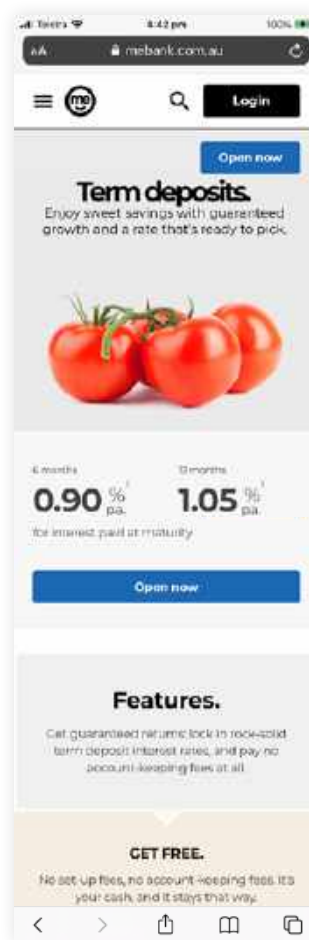
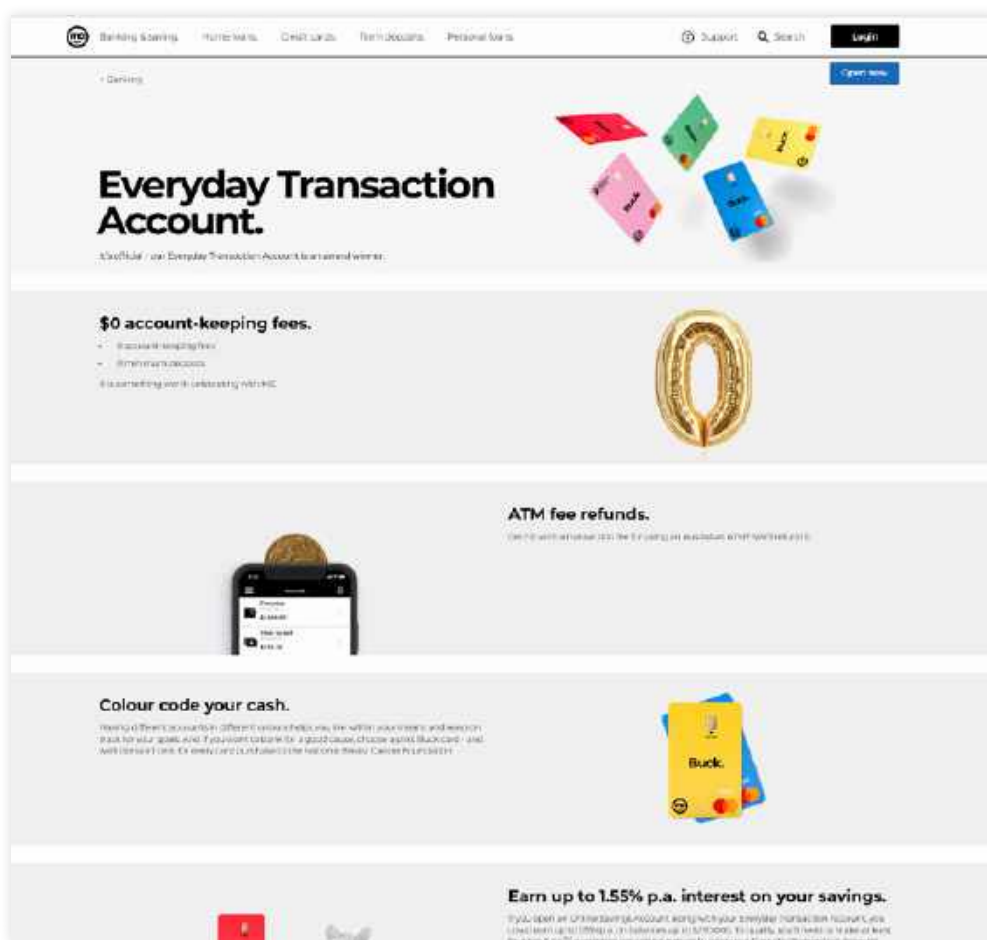
## SUCCESS OF OUR INNOVATIVE MARKETING CAMPAIGNS

When market opportunities presented themselves, ME conducted targeted marketing campaigns to attract profitable growth. This included ME's 'Break Free with ME', inviting homeowners to refinance with ME and enjoy ME's competitive variable and fixed rates. From May, ME changed its focus to attract a broader audience by tapping into a key consumer pain point heightened through the COVID-19 pandemic, being "we can come to you virtually, by phone, or face-to-face".





The unique use of outdoor for the 'Break Free with ME' campaign attracted commuters' attention.

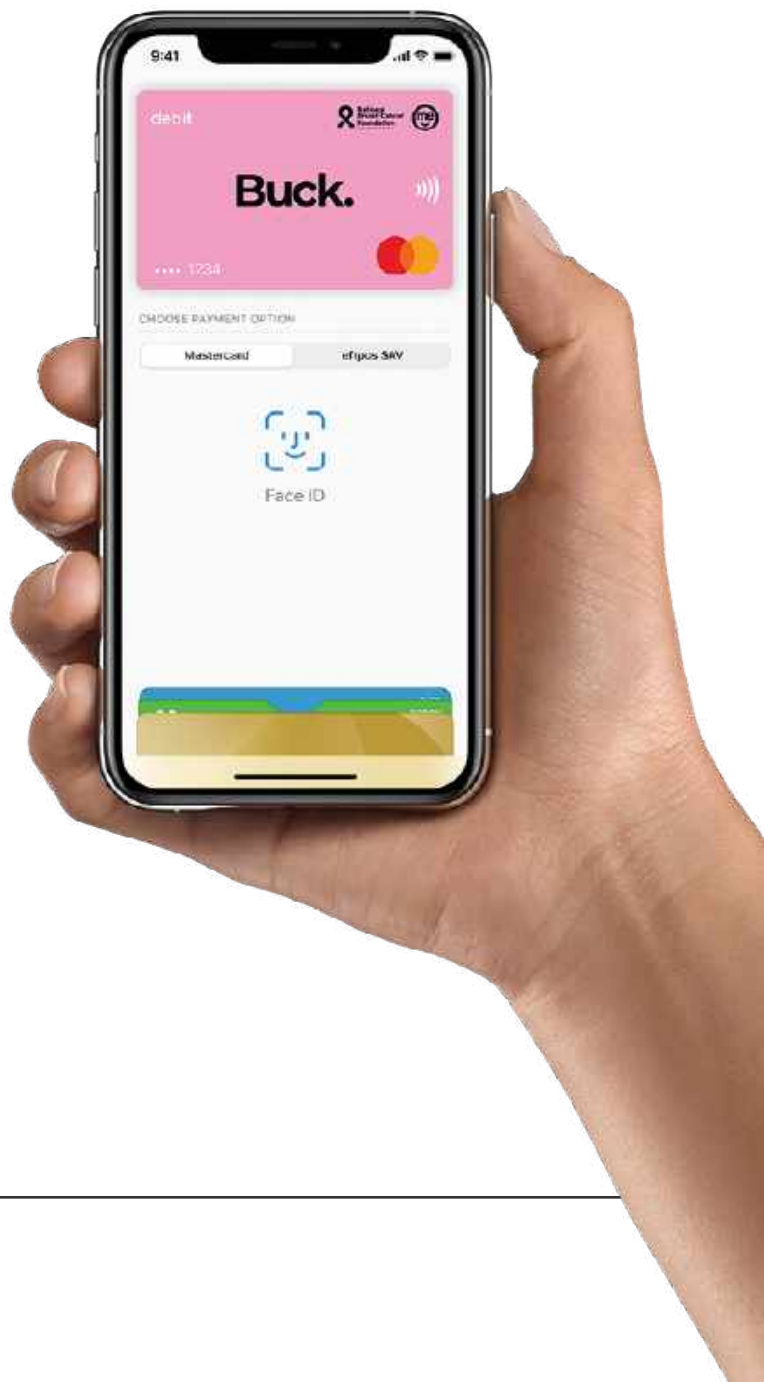


# Enhanced digital experiences for customers.

## ME SWITCHES ON DIGITAL PAYMENTS AS CUSTOMERS SEEK SAFER WAYS TO PAY

In 2020, ME introduced Apple Pay and Google Pay for cardholders, meaning anyone with a ME debit or credit card and a compatible Apple or Android device now has the option to make payments using those globally reputable platforms.

A safer, more secure and private way to pay, the launch of Apple Pay and Google Pay was welcomed by customers and an important milestone as ME becomes a truly digital bank.



## ME INTRODUCES FASTER PAYMENTS

In a significant step forward in enabling competitive digital experiences, in March 2020, ME launched the capability for customers to receive fast payments via the New Payments Platform (NPP).

Since launch, more than 400,000 payments worth \$330m have arrived into customer accounts at an average speed of around one second.

Enabling customers to receive fast payments is just the first stage of what the New Payments Platform will deliver. Once ME is fully connected to the NPP, customers will be able to send and receive payments in near real-time, use PayIDs such as mobile numbers or email to address payments instead of BSBs and account numbers, and send and receive payment messages of up to 280 characters, including special characters and emojis.



**Full speed ahead.**

Fast inbound payments are here.

## ME REACHES FIRST OPEN BANKING MILESTONE

In an important milestone for the Bank's digital development, ME became Open Banking enabled on 1 July 2020. ME commenced sharing product data (details about products, interest rates, fees, etc.), making it easier for customers to shop around for the best financial products. In future, ME will support customers to securely share their data with third parties of their choice on an as-requested base – supporting them to take further advantage of third party banking apps and services.

## ENABLING MORE CUSTOMERS TO INSTANTLY OPEN, FUND AND USE THEIR ACCOUNTS

ME made digital enhancements enabling customers to instantly open, fund and use their accounts digitally – significantly improving the new customer experience.

Some highlights include:

- 50% more customers have been able to fund their account on the same day as opening it, due to real-time inbound payments
- 20% more customers were able to instantly open their account online via the introduction of simplified and improved e-processing capabilities
- 40% reduction in the need for new customer support calls due to improved digital set-up and customer verification and ID processes.

# Our brokers: Key partners outcomes.

Our relationships with our mortgage brokers are fundamental to our business and growth aspirations.

ME has steadfast and long-term relationships with our broker partners. ME places the highest importance on these relationships and working closely with our brokers to support home ownership for all Australians.

During the year, ME continued to invest in key initiatives to support our brokers and their service of customers and prospective customers including:

- ME Loves Monday: a weekly update encapsulating news from ME across product, pricing and policies, and market trends and insights
- MAX: policy and pricing updates delivered as they happen
- ShareME: financial wellness content for brokers to share with their clients
- Webinars: curated content delivered by ME to help small and medium-size brokers use social media to grow their business.

## In its first year, over 1,100 brokers have already subscribed to ShareME.

In a first for ME, Uno home loans was onboarded in August as the Bank's first digital broker. Uno is a fully digitised mortgage broker where the customer is able to review their own loan or research other options online, before obtaining virtual assistance from an in-house Uno broker.

## The 'ZooME' campaign.

In a first of its kind, the 'ZooME' campaign featured 16 broker logos in the home loan TVC to signal to brokers that ME supports them during this challenging time, and to consumers, that ME is trusted by some of Australia's largest broker groups.



*One of ME's broker Zoom advertisements,  
which the bank successfully ran through FY20.*



**Stay safe.  
Stay strong.  
Stay smiling.**

Thanks for working harder than  
ever during these tough times to  
keep our customers smiling.

You're the best there is.

ME remains committed to building **a unique, values-based and customer-first culture**, one that recognises that its people are critical to its success to deliver on its core purpose of helping all Australians get ahead.

# Our people.

**ME's Experience team focuses on building a consistent employee and customer experience to enable the delivery of the Bank's three-year business plan and ensuring its people thrive while building an employer brand that attracts and keeps great talent.**

Key initiatives ME implemented over the year include:

## **Leadership.**

ME created a new leader program called 'SÜRGE' targeted at upskilling mid-senior leaders on risk and quality, operational excellence and people leadership. ME also continued its commitment to developing strong frontline leadership through the 'Shape Up' program that supports the development of key leadership skills including self-awareness, planning and coaching, change management and resilience.

## **Talent.**

ME maintained an emphasis on identifying emerging and senior high potential leadership talent across the business, ensuring appropriate development plans were in place to ensure the Bank can effectively identify, retain and develop its future leaders.

## **Employee engagement.**

ME's HowÜDoin? engagement survey is a key tool to help the business understand the employee experience and the extent to which employees are connected, motivated and committed to ME, which achieved a participation rate of 89% across the year.

ME continued to score strongly in the areas of inclusion, work conditions and brand and values. The majority of employees believe that ME values and embraces diversity, that their manager would support their use of flexible work arrangements, and they have a good understanding of what ME's company values mean.

## **Digitising performance approach.**

Throughout the year, ME made a significant leap forward in the way it manages performance through digitising and streamlining employee experience to ensure it mirrors the Bank's commitment to customers, and the Bank endeavours to continue to evolve and adapt its performance approach to best support employees.



### Workplace health and safety.

Workplace health, safety and wellbeing continued to be a focus throughout the year. The Mindfully ME calendar of events actively supports the health and wellbeing of everyone at ME. In March 2020, the Mindfully ME affinity group ran its second wellbeing and benefits expo with great participation from ME staff getting involved to have their blood pressure checked, bike n blended a smoothie, relaxed with a mini massage and participated in a stretching session.

Other staff wellbeing events held during the year included the Sun Smart lunch n learn session, dance and chair yoga classes, the 10,000-step challenge and mindfulness sessions run by an external facilitator and high-performance coach.

During the 2020 financial year, ME conducted mental health awareness training for people leaders. These sessions equipped leaders with the skills to better identify anxiety or depression in individuals and learn how to encourage conversations about mental health in the workplace to support staff experiencing a mental health condition.



Since the COVID-19 outbreak, the Health, Safety and Wellbeing team have been providing health, safety and wellbeing advice to employees to minimise the risk of the spread and have played a key role in safely mobilising people to work from home. The Health, Safety and Wellbeing team have completed a COVID-19 Health, Safety and Wellbeing Risk Assessment for returning to the office outlining OH&S considerations as the Bank prepares for a gradual return to the office in line with government advice.

### LONG-SERVING CEO JAMIE MCPHEE RETIRED IN JULY 2020

Jamie McPhee was ME's CEO over the last ten and a half years. He transformed the scale and extent of ME's retail offering to customers. ME Bank has increased significantly in size and relevance, growing its customer numbers from 234,000 to 552,000, and its assets by 50% to \$30 billion. Notably, ME Bank has continued to achieve primacy in customer satisfaction, based on Roy Morgan banking research.



Jamie steered the Bank through significant change in the industry and the macro economic environment. Jamie leaves with our thanks and best wishes for the future.

In deciding to call time, Jamie said "I know the Bank is in a strong position financially and is well placed for the future. ME is a bank that really cares for its customers and I am pleased to have been able to develop the Bank and its offering and to grow its relevance in order to give Australians a genuine personal banking alternative."



## DIVERSITY & INCLUSION

ME believes a diverse and inclusive workplace is critical to the Bank's success. The Bank supports this belief through its diversity and inclusion commitments to its customers, its people and the industry.

### For customers.

A diverse workforce provides the Bank with deeper insights and understanding into its customer base, allowing it to better meet our needs from a communication, engagement and innovation perspective.

### For people.

ME provides a respectful and inclusive environment, where employees can bring their whole selves to work, where their opinions and talents are welcomed and valued, and where they will be given fair and equitable career development opportunities.

### Affinity groups.

Existing affinity groups ProudlyME and Women at ME continued to have a positive impact across the organisation. This included the implementation of internal events that grew awareness of the importance of fostering a diverse and inclusive environment.

Highlights included:

- International Women's Day, featuring a keynote presentation on unconscious bias from Anneli Blundell in the morning and a panel discussion on confronting gender stereotypes in the afternoon. The panel of speakers included Anna Leibel CIO UniSuper, Clea Smith CEO The Mind Room and former Cricket Australia player, Dale Robinson AFLW Development Coach, and Danny Sexton Head of Football Operations at St Kilda Football Club. The day ended with an event that raised \$3,000 for youth mentoring charity Sister2Sister.



- Women at ME worked with internal stakeholders to make enhancements to the parental leave process and to improve flexible work arrangements offered at ME.



- ProudlyME's second Queer Week, featured a panel headlined by LGBTQ+ community leaders who discussed the mental health challenges faced by the LGBTQ+ community, particularly in response to the marriage equality debate, and a workshop on how to be a better ally and stand tall for all.
- An internal postcard and poster campaign to celebrate LGBTQ+ inclusion and LGBTQ+ Awareness Training held with a tailored session delivered to the Executive Leadership team.



## GENDER EQUALITY

In the 2020 financial year, ME provided its entire workforce with access to Bank-funded paid parental leave for both primary and secondary carers, regardless of gender. This included for adoption, surrogacy and stillbirth.

ME had support mechanisms in place for employees experiencing family or domestic violence. The Bank consulted with employees on issues concerning gender equality in its workplace, including through the Women at ME affinity group. ME also had in place formal policies to prevent sex-based harassment and discrimination and provided training for all managers on these policies.

	FY20
Overall workforce	
Female	49%
Male	51%
Don't identify	<1%
Business leaders	
Female	39%
Male	61%
Executives (including CEO)	
Female	29%
Male	71%
Directors (including Chair)	
Female	43%
Male	57%

**Figure 1 – Gender diversity at ME**

# Supporting communities.

## ME'S NEW VERTICAL CARDS WITH BRAILLE PROMOTE INCLUSIVE BANKING

ME is now offering customers new look and feel debit and credit cards in 'portrait mode' that are designed to be more accessible, inclusive and user-friendly, and ensure more Australians can get ahead with their banking.

The tactile and visual features of the cards were developed in consultation with customers who are blind or vision impaired.

ME's cards come in a range of bright colours and debit cards are marked with the braille letter for 'D', with credit cards in black and white and marked with the braille letter for 'C'.

The new design will be rolled out to new customers and existing customers once their current one expires.



# Celebrating local legends who shine.



At ME, we're proud to be the major partner of the HESTA Awards, celebrating achievements across health and community services.

ME was created by industry super funds like HESTA to help everyday Australians get ahead, with straightforward, people-shaped banking.

While HESTA works to maximise your super for the future, ME gives HESTA members a convenient and low-cost way to do their everyday banking – so they're free to get on with the more important things in life.

**[mebank.com.au](https://mebank.com.au)**

Proud sponsor:



Presented by:



## COMMUNITY SPONSORSHIPS

### Community awards – HESTA Awards.

ME is the major sponsor of the annual HESTA Awards program which recognises, promotes and celebrates the achievements of everyday heroes working in health and community services industries. ME provides community grants that make up the entire prize pool for the various awards, which is shared among the winners to support their vital community programs and initiatives.

### Mother's Day Classic.

The year 2020 marked the 16th year as the major sponsor of the Women in Super's Mother's Day Classic. Over the last 16 years, ME has raised over \$200,000 through internal fundraising and campaign giveaways. The event is passionately supported by ME employees, their family and friends, with over 340 registrations, and in 2020, ME won the award for the largest team in Australia.





### Philanthropic Employee Initiatives.

ME's Giving Back Program provides the Bank's employees with the opportunity to make regular donations from their pre-tax pay to a group of eight community partners. In the 2020 financial year, employees donated just over \$25,000 to ME's community partners – a figure that was matched by the Bank.

ME's current Giving Back Program community partners are;

- the National Breast Cancer Foundation;
- the Prostate Cancer Foundation of Australia;
- Beyond Blue; Mission Australia;
- The Smith Family; Australian People for Health; Education and Development Abroad;
- Redkite; and
- World Animal Protection.



ME staff are also encouraged to volunteer for not-for-profit organisations and participate in community building activities through the paid volunteer leave entitlement. In the 2020 financial year, 300 hours of volunteer leave were taken, with staff supporting charities such as Food for Change and Foodbank Victoria.

### Support For LGBTIQ+ Community.

ME continued its sponsorship of the Melbourne Queer Film Festival, with ME's brand visible to festivalgoers for the brief run before closure due to COVID-19.



ME's response to the bushfire crisis.

ME responded swiftly to the devastating bushfire season by proactively reaching out to affected customers. ME offered hardship supports over and above existing measures and simplified the process for customers via the creation of a direct hotline and a waiving of document requirements to make it easier to get help. ME also extended its internal counselling support service to customers affected by bushfires at no cost to them.

ME donated a total of \$110,000 to the Red Cross Bushfire Appeal and other bushfire charities, which included matched donations from staff. ME's contributions have been received warmly by customers, staff and the community.

# Environmental impact.

**Monitoring our impact on the environment is part of ME's commitment to responsible business. The Bank understands its environmental impact extends beyond its own operations to include the products and services it provides and procures.**

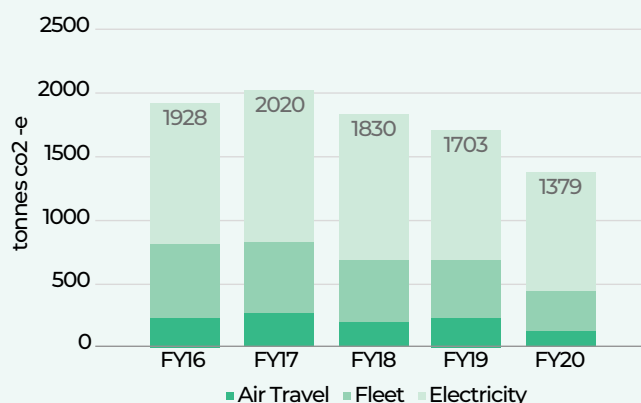
ME's head office in Melbourne Central Tower has a five-star 'Green Star – Office Interiors v1.1' rating. ME's building has a five-star assisted NABERS Energy Rating and a three-star NABERS Water Rating.

Renovations on ME's head office commenced in February 2020 and are estimated to be completed in November 2020. The renovations afforded ME the opportunity to review and implement improvements to further reduce the Bank's environmental impact, including replacing the existing fluorescent lighting with new LED lighting, new bathroom technology to save water and replacing paper towels with hand dryers, and new carpet tiles made from recycled materials.

## RESOURCE USE

In the 2020 financial year, ME reduced its greenhouse gas (GHG) emissions by 19% to 1,675 tonnes from its operations, which covers electricity use in offices, vehicle fleet usage and employee air travel (see Figure 2). This is a decrease of 389 tonnes from the previous year, achieved from a consistent reduction in all reported areas.

The largest source of GHG emissions for ME was electricity use in its offices, which accounted for 530.3 of the Bank's total emissions. In the 2020 financial year, ME reduced its electricity usage by 68 tonnes, or 7% of carbon dioxide equivalent (CO<sub>2</sub>-e) and vehicle fleet usage by 139 tonnes, or 31% of CO<sub>2</sub>-e.



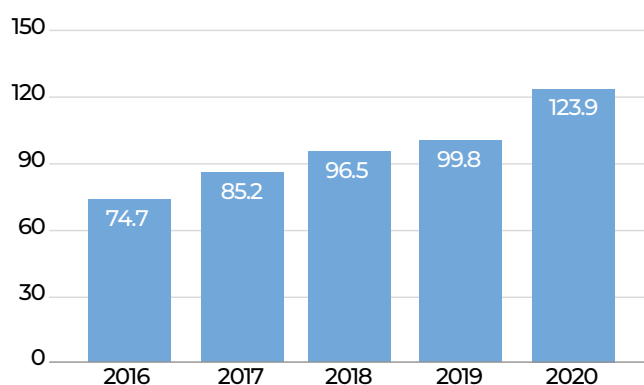
*Figure 2 – Yearly comparison on total greenhouse gas emissions*

# Financial performance.

**Statutory net profit after tax (Statutory NPAT) for the year to 30 June 2020 was up 20% on the previous year to \$80.8 million, achieved after factoring in COVID-19 related bad debt provisions. Underlying net profit after tax (Underlying NPAT) was up 24% on the previous year to a record \$123.9 million, reflecting higher net interest income and a significant reduction in cost-to-income (CTI) ratio.**

Year to 30 June	FY20	FY19	Change
Statutory NPAT	\$80.8m	\$67.1m	+20%
Underlying NPAT	\$123.9m	\$99.8m	+24%
Net interest income	\$457.1m	\$414.1m	+10%
Operating expenses	\$268.6m	\$267.1m	+1%
As at 30 June:			
Home loan portfolio	\$25.5b	\$25.1b	+2%
Customer deposits	\$17.2b	\$16.3b	+5%
Total assets	\$31.5b	\$30.9b	+2%
Key metrics:			
Net interest margin	1.66%	1.59%	+7 bps
Cost-to-income ratio*	58.5%	64.8%	-630 bps
Return on equity*	9.0%	7.2%	+180 bps
Common Equity Tier 1	9.8%	9.5%	+30 bps

**Figure 3 – FY20 key financial metrics**  
(\*calculated on an underlying basis)



**Figure 4 – Underlying net profit after tax (\$m)**



For the year ended 30 June 2020, the following reconciling differences between net profit after tax (underlying) and net profit after tax (statutory) existed:

Reconciliation of statutory profit to underlying profit	FY20	FY19
Underlying NPAT	\$123.9	\$99.8
Realised and unrealised gains/(losses) on hedging instruments	(\$2.0)	(\$3.2)
Bad Debts Provisions COVID-19	(\$29.4)	\$0
Impairment losses – other	(\$2.6)	(\$14.4)
IT system remediation and decommissioning costs	(\$9.1)	(\$15.1)
Statutory NPAT	\$80.8	\$67.1

**Figure 5 – Reconciliation of statutory profit to underlying profit**

## (LOSS)/GAIN ON HEDGING INSTRUMENTS

Effective 1 July 2014, the Bank adopted hedge accounting and as a result, any mark to market movement of interest rate swaps from that date have been reflected in the cash flow hedge reserve in the equity section of the balance sheet. The losses for the year ended 30 June 2020 represent an unfavourable movement in fair value of ME's interest rate basis swaps.

## IMPAIRMENT LOSS – OTHER

ME has taken the strategic decision to recognise an impairment loss of \$2.6 million relating to development costs (intangible asset) associated with its robotics program.

## COVID-19 PROVISIONS

The outbreak of the COVID-19 pandemic has had unprecedented impacts on businesses and economies, both locally and globally. During this time, ME's primary form of assistance to customers has been to allow them to defer their loan repayments for up to a six-month period. The Bank has assisted over 9,500 customers with repayment deferrals equating to approximately 9.5% of ME's lending arrangement. Current management assumptions acknowledge that a portion of these customers on repayment deferrals are unlikely to be able to recover. As a result of COVID-19, management recognised a COVID-19 overlay impairment provision of \$42 million, \$29.4 million after tax.

## IT SYSTEMS REMEDIATION AND DECOMMISSIONING COSTS

These represent the work to migrate to new core banking system (Temenos T24) and decommission the legacy systems.

## OPERATIONAL EFFICIENCY

The primary measure of operational efficiency is the Cost To Income (CTI) ratio. The increased focus on cost management and embedding operational efficiencies contributed to a significant improvement in the CTI ratio down to 58.5% from 64.8% in the prior year (refer to Figure 6).

Further improvement in efficiency remains a key focus for the Bank, with the areas of focus including:

- Digitisation of the Business – continuing to invest in underlying technology capabilities to enable and support the deployment of the new Home Loan originations platform that will drive efficiencies across the origination process.
- IT Simplification – complete the migration to single modern core system in T24 and migrating services to the cloud allowing scalability, availability, performance and time to market.
- Competitive Digital Banking-enhanced digital offerings to allow customer self-service and continued digitisation of communication processes e.g. eStatements.

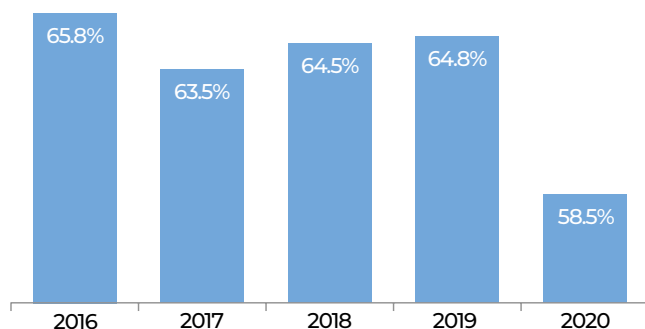


Figure 6 – Cost-to-income ratio (%)

## REVENUE

Net interest income increased 10% to \$457.1 million in the 2020 financial year, through a combination of asset growth and an increase in NIM from 1.59% to 1.66%.

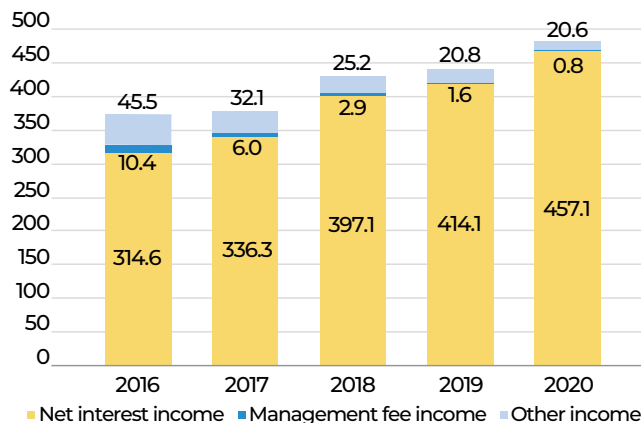


Figure 7 – Revenue (\$m)

## ASSETS

Total assets (on-balance and off-balance sheet) grew by 2% to \$31.5 billion from \$30.9 billion the prior year.

Total on balance sheet assets (net of offset account balances) grew by 2% from \$29.8 billion to \$30.3 billion and this growth was driven by increases in lending assets (loans and advances) of \$0.3 billion and cash and investment assets of \$0.2 billion. Home loans remain a core focus, and account for 99% of all lending assets. In the 2020 financial year, the Bank settled over \$5.5 billion of new home loans, down 15% on the previous year, with the home loan portfolio growing by 2% to \$25.5 billion. After strong system growth in the first half of the year, overall home loan growth finished at 0.7 times system.

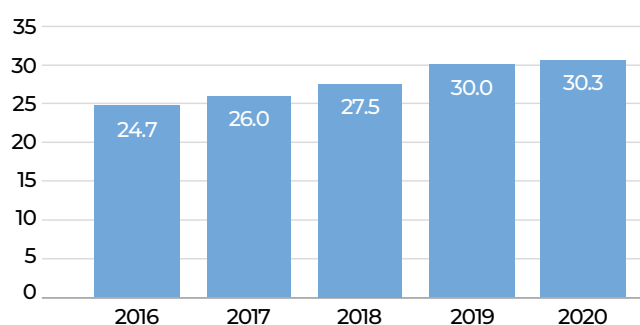


Figure 8 – Total interest earning assets (\$bn)

## DEPOSITS

The growth in customer deposits was driven by at least two key factors. Firstly was the continued development of deposit products to be more customer centric. Secondly was ME's tailored response to the COVID-19 pandemic to support ME's deposit customers, which included an automatic bonus for existing OSA customers that qualified for the bonus prior to COVID-19, and competitive 6 and 12 months term deposit rates to provide certainty for savers.

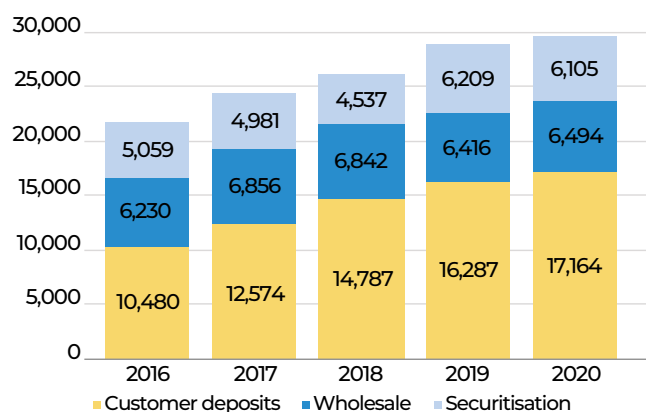


Figure 9 – Funding mix (\$m)

## CAPITAL MANAGEMENT

The Bank manages its capital in line with the requirements of both APRA and the rating agencies in order to maintain its credit rating. Over the year the Bank improved its Tier 1 capital by 30 bps, strengthening its core capital position.

## CAPITAL ADEQUACY RATIO

The year-end prudential capital ratios are below. One of the key movements relate to the reduction in Tier 2 capital as a result of \$300 million of Tier 2 capital reaching the initial call-date for payment on 29 August 2019, which was redeemed to optimise the capital mix.

Capital adequacy ratios	FY20	FY19
	%	%
Common Equity Tier 1	9.8%	9.5%
Tier 1	12.7%	12.4%
Tier 2	0.6%	3.4%
Total capital ratio	13.3%	15.8%

Figure 10 – Capital adequacy ratios

## FUNDING AND LIQUIDITY

There has been significant liquidity provided to the banking sector and this has meant a change in funding markets over the last six months. There is less issuance of wholesale funding and securitisation as there are cheaper sources of funding available through the support mechanisms provided. At the same time, savings rates are going up and banks are seeing a significant increase in their levels of retail deposits.

The Bank significantly increased its Committed Liquidity Facility with the RBA to provide an additional safety net against any COVID-19 related volatility in deposits and broader wholesale markets. As a result, ME has significantly increased its Liquidity Coverage Ratio to over 190%.

There has also been a significant increase in the Net Stable Funding Ratio over the year due to the retail deposit growth and term funding that became available from the RBA. The increase in the Committed Liquidity Facility also underpinned a higher ratio. The Net Stable Funding Ratio increased from 105.4% to 127.4%.

Retail deposit growth was particularly strong in the last quarter of 2019–20 with retail deposits increasing by \$400 million. The Bank had \$300 million of term debt maturing in April and this was repaid and not reissued.

# Key financial statements.

**The key financial information has been derived from the Annual Financial Report of Members Equity Bank Limited (ME) for the year ended 30 June 2020.**

The Annual Financial Report comprises the Directors' Report and the annual financial statements. The annual financial statements are general purpose financial statements prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, and other requirements of the law. An explanation of all accounting policies is set out in full in the Annual Financial Report, located on ME's website

Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2020		Consolidated
	2020 \$'000	2019 \$'000
Interest and similar income	1,102,422	1,312,512
Interest and similar expense	(645,353)	(898,387)
<b>Net interest income</b>	<b>457,069</b>	<b>414,125</b>
Funds management fee income	820	1,618
Other operating income	20,588	20,760
<b>Total net operating income</b>	<b>478,477</b>	<b>436,503</b>
<b>Expenses</b>		
Operating expenses	268,605	267,113
Impairment on intangibles	4,323	20,606
Impairment losses	59,553	8,944
Project expenses	30,348	43,770
<b>Total expenses</b>	<b>362,829</b>	<b>340,433</b>
<b>Profit before income tax</b>	<b>115,648</b>	<b>96,070</b>
Income tax expenses	34,801	28,955
<b>Profit for the year</b>	<b>80,847</b>	<b>67,115</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified subsequently to profit or loss</b>		
Net fair value gain/(loss) on FVTOCI financial assets, net of tax	102	2,625
Cash flow hedges—effective portion of changes in fair values, net of tax	3,415	(63,265)
<b>Total comprehensive income for the year</b>	<b>84,364</b>	<b>6,475</b>

Figure 11 – Statement of profit or loss and other comprehensive income for the financial year ended 30 June 2020

Statement of financial position as at 30 June 2020		Consolidated
	2020 \$'000	2019 \$'000
<b>Assets</b>		
Cash and cash equivalents	1,376,694	839,889
Investments	3,280,898	3,581,453
Derivatives	804	3,785
Trade and other receivables	4,184	9,520
Current tax assets	-	9,265
Loans and advances	26,615,476	26,272,491
Investment in controlled entities	-	-
Property plant and equipment	15,185	6,567
Intangible assets	102,528	86,632
Deferred tax assets	54,681	43,845
Other assets	14,399	14,875
<b>Total assets</b>	<b>31,464,849</b>	<b>30,868,322</b>
<b>Liabilities</b>		
Deposits and other borrowings	29,771,024	28,911,694
Derivatives	82,663	98,544
Trade and other receivables	22,190	40,499
Current tax liabilities	1,076	-
Provisions	31,252	31,235
Subordinated debt	-	301,079
<b>Total liabilities</b>	<b>29,908,205</b>	<b>29,383,015</b>
<b>Net assets</b>	<b>1,556,644</b>	<b>1,485,271</b>
<b>Equity</b>		
Issued capital	1,105,459	1,105,459
Reserves	(49,034)	(40,720)
Retained earnings	500,219	420,532
<b>Total equity</b>	<b>1,556,644</b>	<b>1,485,271</b>
Book value per share	140.93	134.46

Figure 12 – Statement of financial position as at 30 June 2020

# Governance.

**ME is committed to fulfilling its corporate governance obligations and responsibilities in the best interests of the Bank and its shareholders. Good corporate governance is based on a set of values and behaviours that: a) underpin day-to-day activities, b) provide transparency and fair dealing, and c) promote financial stability and healthy economic growth that can deliver better outcomes for the Bank's customers.**

In performing its role, ME's Board is committed to a high standard of corporate governance practice as well as fostering a positive and engaging high performance culture. This encourages values-based leadership to enable the execution of the Bank's strategy and to create a diverse and inclusive workplace.

The Bank's approach to corporate governance is cognisant of a range of principles and frameworks. These include the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) and APRA Prudential Standards. The Board is conscious that best practice in the area of corporate governance is continuously evolving and will continue to anticipate and respond to further corporate governance developments.

The Bank's Corporate Governance Statement is a voluntary disclosure that outlines the key components of ME's corporate governance framework in light of the 4th edition of the ASX Principles. This provides guidance for the Board, executives and employees, and defines their respective roles, responsibilities and the conduct expected of them. The framework establishes the structure through which the Bank sets its objectives and ensures strategic guidance of the Bank, as well as the effective monitoring of the ongoing performance of management by the Board, and the Board's accountability to the Bank and its shareholders.

## BOARD

As of 30 June 2020, the Board comprised six independent directors.

ME seeks to have a Board with the right mix of individuals with relevant attributes, skills, knowledge and experience, with the overall competence collectively to deal with the current and emerging issues of the business and to effectively review the performance of management. These criteria are summarised below:

Attributes	Skills, knowledge and experience
Commitment to the Bank's values	Retail banking
Embrace change and resolve dilemmas	Superannuation
Confront and defuse political interference so that it does not prevent sound decision-making	Industrial relations
Focus on the big picture and strategic context of decisions	Sales
Build harmonious, productive working relationships	Marketing and brand
Confidence to express views openly at all levels	Accounting and finance
Strong desire to see Management team develop and succeed	Risk management and controls
Focused on the process by which results are achieved as well as the results themselves	IT, including information security
Ability to consider various alternatives when faced with complex situations	Digital
Desire to contribute to long-term success as opposed to short-term expediency	Governance
	Communications
	Auditing
	Compliance

*Figure 13 – Criteria for ME Board directors*

# The Board.

The Board has a diverse range of experience in banking and financial services as well as in other sectors. The experience of the Board members is set out below:



**James Evans**  
**Chairman**

Director & Chairman since April 2019

In addition to his role as Chairman of the Board, Jim was a member of the People and Remuneration Committee (Chair from 8 June 2020 until 31 August 2020) and Chair of the Nominations Committee (from its reconstitution on 8 June 2020). Jim has over 40 years' experience, including 30 years in banking and financial services. He is currently Chairman of ASX 200-listed company Pandal Group Limited and its major subsidiary J O Hambro Capital Management Holdings Limited. He is also a non-executive director of Investa Wholesale Funds Management Limited and ICPF Holdings Limited. Jim worked at Commonwealth Bank for more than 10 years, including five as Chief Risk Officer of Wealth Management, during which time he held directorships in funds management, general insurance, life insurance and lease financing businesses. Jim has served as the Chairman of Suncorp Portfolio Services Limited and as a non-executive director of Australian Infrastructure Fund Limited as well as Hastings Funds Management Limited.



**Deborah Kiers**  
**Non-Executive Director**

Director since July 2020

Deborah is a member of the Risk & Compliance Committee and People & Remuneration Committee (each from 3 August 2020, and Chair of the People & Remuneration Committee from 1 September 2020). Deborah is a non-executive director and consultant to major corporations and organisations internationally. Her more than 26-year consulting career has spanned a wide range of industries including financial services, energy and resources, industrials, property, infrastructure and regulated utilities. She has a breadth of experience in financial services both in Australia and abroad. In addition to supporting strategy development and implementation, business transformation and developing performance cultures, Deborah has also provided executive coaching and development for CEOs, executive teams and Board directors. Earlier in her career, Deborah also worked as a consultant and advisor to a number of Australian Federal and State Government Ministers. Deborah is currently a non-executive director at IFM Investors and holds the position of Chair of the IFM Board Responsible Investment and Sustainability Committee and is a member of the Board Audit and Risk Committee. She is also a non-executive director of the Tiverton Agriculture Impact Fund and a member of the Australian Institute of Company Directors.



**Cheryl Bart AO**  
**Non-Executive Director**

Director since July 2016

Cheryl is Chair of the Digital Committee, a member of the Audit and Governance Committee (to 22 June 2020), a member of the Special Issues Regulatory and Compliance Committee (from its inception on 18 February 2020 until its discontinuation on 31 July 2020), a member of the People and Remuneration Committee (from 22 June to 3 August 2020), and a member of the Nominations Committee (from its reconstitution on 8 June 2020). She is currently Chair of Powering Australian Renewables Fund, Chair of TEDxSydney and a non-executive director of SG Fleet Group Ltd and Audio Pixels Holding Ltd, and was also a non-executive director for the Invictus Games 2018. Cheryl has a diverse director portfolio background, chairing both committees and boards across the utilities, funds management, auto-finance and leasing, broadcasting, technology and infrastructure sectors. Her previous non-executive directorships include Chair of ANZ Trustees Ltd, South Australian Environment Protection Authority and South Australian Film Corporation, as well as a non-executive director of the Australian Broadcasting Corporation, Football Federation Australia (FFA), Prince's Trust Australia and Spark Infrastructure Ltd.



# The Board.



**John Nesbitt**  
**Non-Executive Director**

Director since February 2017

John is Chair of the Audit and Governance Committee as well as a member of the Risk and Compliance Committee, the Special Issues Regulatory and Compliance Committee (from 15 June until its discontinuation on 31 July 2020) and the Nominations Committee (from its reconstitution on 8 June 2020). John is currently a non-executive director of General Reinsurance Life Australia Limited, General Reinsurance Australia Limited, Evolve Housing Limited (previously Affordable Community Housing Limited) and Credit Corp Group Limited. John has over 40 years' experience in banking and financial services, property, infrastructure, technology and chartered accounting through his previous roles as CEO of Suncorp Banking and Wealth, Group Chief Financial Officer (CFO) of Suncorp Group Limited as well as Group CFO and Group Executive Private Wealth at Perpetual Limited and CFO roles at Lend Lease Corporation Limited.



**Peter Everingham**  
**Non-Executive Director**

Director since April 2019

Peter is a member of the Digital Committee, the People and Remuneration Committee and the Audit and Governance Committee (from 22 June 2020). He has over 25 years' corporate experience including 18 years in the digital sector. Peter is currently a director of Super Retail Group and iCar Asia. He is also a governor and director of the World Wide Fund for Nature Australia. He was formerly Managing Director of SEEK Limited's International Division and served as a non-executive director of its education businesses IDP Education, Online Education Services and Think Education. He was also Chairman of SEEK's China subsidiary, Zhaopin Limited. Prior to SEEK, Peter was Director of Strategy for Yahoo! in Australia and Southeast Asia.



**David Issa**  
**Non-Executive Director**

Director since March 2019

David is the Chair of the Risk & Compliance Committee (from 3 August 2020) and a member of the Digital Committee, the Audit and Governance Committee and the Special Issues Regulatory and Compliance Committee (from its inception on 18 February to its discontinuation on 31 July 2020). He is currently a director at Industry Fund Services Limited and IFS Insurance Solutions Pty Ltd, and has over 30 years' experience in the digital, technology, banking and insurance industries. His previous roles include Director of Superpartners, CEO of online consumer networks One Big Switch and FiftyUp Club as well as CEO of Personal Insurance and CIO at Insurance Australia Group. At Westpac Banking Corporation, David held roles including CIO at Institutional Banking Group, Program Director at Westpac Investing, and CEO of the bank's wholly owned software incubator Qvalent.



## DIRECTORS WHO RETIRED DURING THE YEAR



**Christine Christian**  
**Non-Executive Director**

Director from November 2012.  
Retired July 2020

Christine was the Chair of the Risk and Compliance Committee and the Special Issues Regulatory and Compliance Committee (from its inception on 18 February 2020 until its discontinuation on 31 July 2020) and a member of the Audit and Governance Committee until her retirement from the Board in July 2020. Christine is an independent company director and is currently Chair of Kirwood Capital, Deputy Chair of FlexiGroup Limited and a director of State Library of Victoria, Lonsec Financial Group and La Trobe University. She also has more than 30 years' experience in senior executive roles in Australia and overseas, primarily in the credit risk, financial services and global business publishing sectors – including 14 years as CEO of Dun & Bradstreet Australia and New Zealand, Chair of D&B Consumer Credit Services, and executive director of Dun & Bradstreet India.



**Elana Rubin**  
**Non-Executive Director**

Director from October 2016  
Retired June 2020

Elana was the Chair of the People and Remuneration Committee and a member of the Risk and Compliance Committee until her retirement from the Board in June 2020. She is currently Chair of Afterpay Group and a director of Telstra Corporation Limited and Slater and Gordon Limited as well as several unlisted and/or government bodies in insurance, funds management and infrastructure. Elana has over 20 years' experience as a non-executive director on private, government and not-for-profit boards. Previous non-executive directorships include Chair of AustralianSuper.



**Greg Combet**  
**Non-Executive Director**

Director from November 2014  
Retired February 2020

Greg was a member of the Risk and Compliance Committee until September 2019 and retired from the Board in February 2020. He is Chair of IFM Investors and Industry Super Australia, and Director of Greg Combet Pty Ltd. He also holds a number of consultancy and advisory roles. Greg held various cabinet, ministerial and parliamentary roles within the Australian Government from 2007 to 2013, including as Minister for Industry and Innovation, Minister for Climate Change and Energy Efficiency, and Minister for Defence Personnel, Science and Materiel. He was formerly Secretary of the Australian Council of Trade Unions (ACTU) and a director of AustralianSuper. During the year, he was a patron of

# Executive team.

AS AT SEPTEMBER 2020



**Adam Crane**  
**Acting Chief Executive Officer**

Formerly the Chief Financial Officer, Adam has stepped into the role of Acting CEO following the resignation of Jamie McPhee. Adam joined as CFO in August 2019, overseeing an improvement in the Bank's financial performance.

#### About Adam

Adam has extensive experience across the banking and financial services industries. His more than 25-year career has included stints across a broad range of operational areas, including e-commerce, strategy and credit. Before ME, Adam spent seven years at ANZ Banking Group working across areas including e-commerce, strategy, credit and analyst roles, 13 years working in senior e-commerce, strategy and finance roles at Suncorp including as Chief Financial Officer of Suncorp's Life and Wealth Management business, and three years at Indue where he worked as the Chief Financial Officer.



**Ingrid Purcell**  
**Chief Experience Officer**

As Chief Experience Officer, Ingrid is primarily responsible for the customer and people experience functions. Ingrid is focused on helping ME transform its customer experience by delivering on the expectations of customers and delighting them in the process. Internally, Ingrid is creating new ways for ME's people to work together with centricity and ensuring ME's culture continues to grow.

#### About Ingrid

Prior to joining ME, Ingrid led large teams working as a business director at creative digital agencies in London and Sydney. Ingrid has worked with a range of companies across the financial services, fast-moving consumer goods (FMCG) and technology industries, helping to create and implement digital brand transformation.



**Rosanna Fornarino**  
**Chief Operations Officer**

Rosanna joined ME in December 2019. As Chief Operations Officer (COO), Rosanna is accountable for the delivery of service outcomes to our customers, in line with ME's value proposition. She is responsible for designing, improving, and implementing the processes used to deliver our products and services to our customers, helping to ensure their initial and ongoing ME experience is consistent and seamless.

#### About Rosanna

Rosanna has over 35 years of experience in the banking sector, across a range of senior and executive roles. She spent 25 years at ANZ, working across retail banking, human resources, domestic and international payments and risk. She also worked at National Australia Bank (NAB) for a decade in a series of senior operations and change implementation roles, in areas of lending and payment operations, logistics, process efficiency, offshoring and retail banking operations.



**Xavier Saldoni**  
**Chief Risk Officer**

Xavier joined ME in September 2020. As Chief Risk Officer Xavier is accountable for the oversight of the Bank's credit, market and operational risks that arise from ME's activities. Xavier also oversees the Bank's risk transformation process, a key focus going forward.

*About Xavier*

Xavier has more than 20 years of experience advising and leading risk functions of large, customer-focused businesses through complex and changing environments, both in Australia and internationally. He joins ME from Medibank Private, where he was Chief Risk Officer from 2017. Prior to Medibank, Xavier was General Manager, Governance, Risk and Compliance for Devondale Murray Goulburn. He also spent over 15 years with KPMG providing governance, risk, assurance and process optimisation services to large, complex organisations across Europe, USA and Australia.



**Matt Toohey**  
**Chief Information Officer**

Matt joined ME in July 2018. As Chief Information Officer, Matt is accountable for the development, management and monitoring of ME's information technology function.

*About Matt*

Before joining ME, Matt was General Manager of Delivery and Engineering at Bankwest, where he managed the bank's software delivery operations and change. He has also held Chief Information Officer roles at Wesfarmers Chemicals, Energy & Fertilisers and iiNet.



**Ken Christie**  
**Interim Chief Financial Officer**

Ken joined ME in September 2020. As Chief Financial Officer Ken is accountable for all Finance, Procurement and Audit functions at ME.

*About Ken*

Prior to working for ME, Ken held a number CFO positions with NAB, and also worked for KPMG Consulting /BearingPoint where he advised clients on finance transformation, large scale program delivery, mergers and acquisitions, independent valuations and corporate strategy.



**Craig Ralston**  
**Group Executive, Customer Banking**

Craig joined ME in February 2015. As Group Executive, Customer Banking, Craig works closely with the Experience business unit to build market-leading customer journeys, to meet the increasingly evolving needs of customers and to ensure ME's core products are competitively positioned and aligned with ME's core purpose.

*About Craig*

Craig has over 20 years' experience in the financial services industry – the majority of which was at Bendigo and Adelaide Bank. Craig's experience spans retail sales, operations, technology, product and project management, and strategy.

## BOARD RESPONSIBILITIES

The Bank has laid solid foundations for the management and oversight of its operations and administration, including:

- clear guidelines on who the Board comprises;
- well understood delineations on the roles of Chairman, Company Secretary and CEO;
- and clear enunciation of the Board's priorities.

The primary role of the Board is to protect the rights and interests of the Bank and to create value for its shareholders and their members, having due regard to the interests of other stakeholders. The Board has overall responsibility for overseeing the effective management and control of the Bank and supervising management's conduct within a control and authority framework, which is designed to enable risk to be prudently and effectively assessed, monitored and managed. The role of the Board is to approve strategic direction, guide and monitor management in achieving its strategic plans, and oversee good governance practice.

The Board meets regularly and follows meeting protocols designed to ensure all directors are appropriately informed and properly consider all agenda items.

### **Independence.**

The Board recognises the importance of directors bringing independent judgement to all Board decisions. In Board deliberations, directors are expected to be free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

The directors regularly confer without management present. The Board is comprised of a majority of independent non-executive directors.

### **Performance and evaluation.**

The Board and its committees carry out regular evaluations. A program is in place for self-evaluation of performance by the Board and each of its committees. In addition, the Chair also conducts annual one-on-one discussions with all directors.

### **Diversity.**

ME is a values-based organisation committed to creating an inclusive culture that embraces and values diversity. ME's approach encompasses both diversity and inclusion, as ME believes that a diverse and inclusive workplace is linked to increased quality of decision-making, ideation and financial success. ME has a Board-approved Diversity & Inclusion Policy. For more information about this, please refer to the People section on page 19.

### **Delegated authority.**

The ME Constitution and the Board Charter enable the Board to give delegations to any director, committee of directors, employee of the Bank or any other person. Matters reserved for the Board include decisions about ME's strategy, major transactions, significant contracts, and the appointment and removal of the CEO. Reserved matters also include any matters where Board accountability is prescribed by law. The purpose of each committee and the roles and responsibilities delegated to each committee are captured in the relevant committee charter.

### **ME Board and Committee Structure.**

The Executive Risk & Governance Committee, Asset and Liability Committee, Credit Risk Committee, Operational Risk and Compliance Committee, Investment Committee, IT Systems Committee, Executive Risk and Governance Committee, and the Pricing and Margin Committee are not Board committees, but sit beneath the CEO to implement Board-approved strategies and policies, and manage risk for ME.

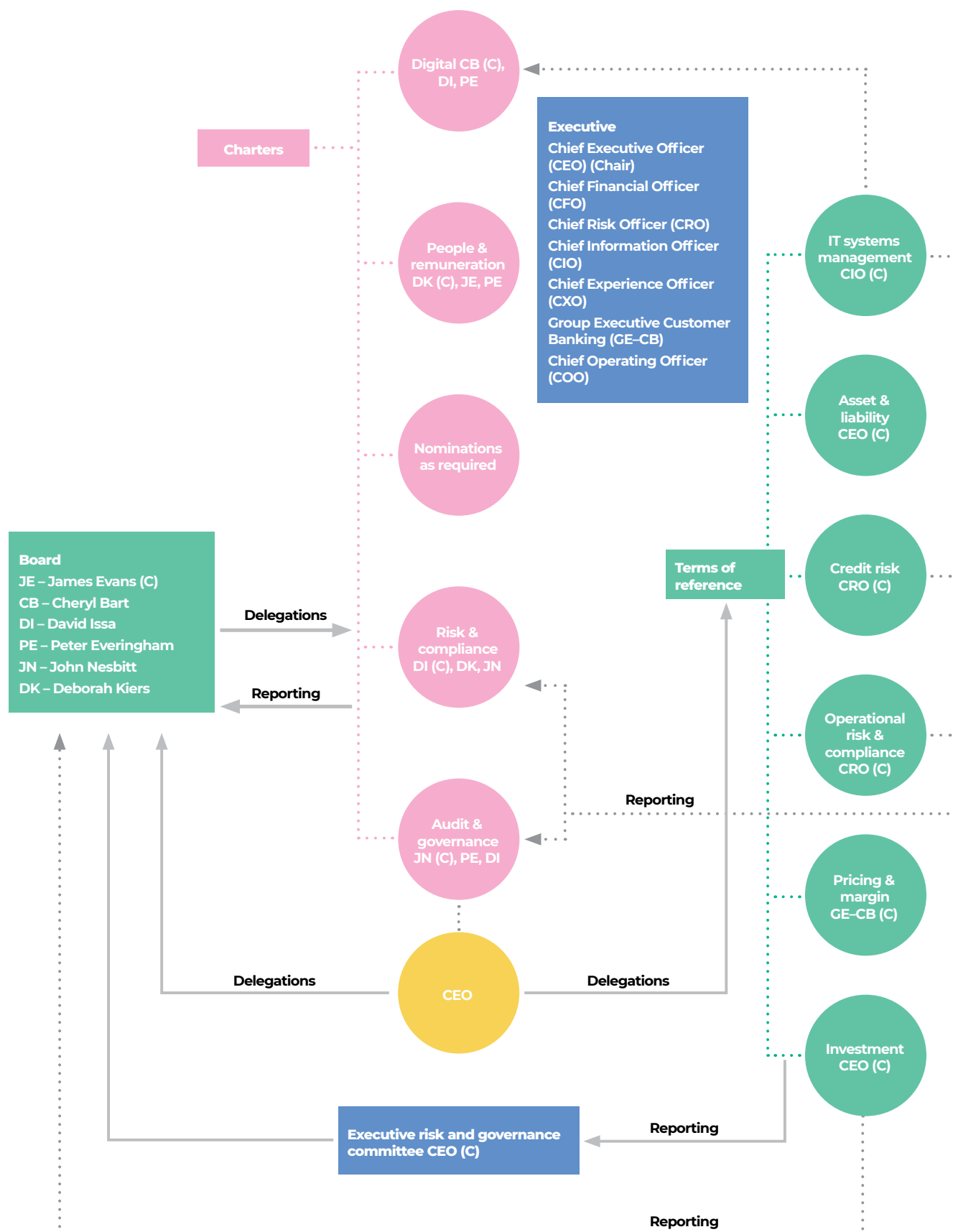


Figure 14 – ME Board and committees structure as at September 2020

## CODE OF CONDUCT AND PRINCIPLES FOR DOING BUSINESS

The Board recognises the importance of being an inclusive employer and the value of a safe, fair and respectful workplace where there is no room for intolerance. ME is a place where teamwork is valued and diversity is celebrated. The Board is committed to embracing diversity and inclusion and creating an environment where everyone can reach their full potential across the organisation.

ME has a Code of Conduct that provides a framework to guide its decisions, actions and behaviours for all directors, employees, contractors and agency staff.

Training about the Code of Conduct is part of the induction process for all new ME employees. It is also a requirement that ME employees complete regular online refresher training about the Code of Conduct.

As a values-based organisation, ME believes in free and open communication on even the most difficult of issues. ME's values of *Love Monday, Have a Swing, Ride the Subway, Stay Hungry and Go to the Moon* allow all employees to feel confident they may, in good faith, raise concerns internally.

The Code of Conduct provides a mechanism to enable employees to report actual or suspected breaches, including through the Speak Up Policy. The Speak Up Policy gives ME employees and others an avenue for speaking up regarding actual or suspected misconduct or unlawful activity. This includes instances where the employee wishes to raise a concern anonymously.

The Board has delegated responsibility to the Audit and Governance Committee for ensuring ME has in place, and that ME employees are aware of, policies and procedures for ME employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns.

The Board also continues to actively listen to the needs of its employees through the annual HowÜDoin? employee engagement survey.

## RESPONSIBLE PROCUREMENT

ME believes in value for money as a founding principle of all procurement activities. A decision on price alone does not necessarily represent value for money. Value for money is achieved when all risks are considered across social, economic and environmental impacts. Costs and benefits are thoroughly examined, optimised and managed during the Bank's sourcing and contract management activities. All procurement activities are documented to demonstrate the integrity, transparency, consistency and accountability of the process

### **Modern Slavery.**

In the 2020 financial year, the procurement team's suppliers due diligence process was transitioned to being imbedded into ME's risk management system, Archer. A full review was undertaken to ensure the Supplier questionnaires captured the necessary and required information for Suppliers to be comprehensively assessed against ME's expectations and regulatory requirements, such as the recently introduced APRA CPS234 Information Security Standard. Suppliers are asked to detail how they conduct their business as good corporate citizens – from their labour practices to their community involvement and development, environmental policies, and their Modern Slavery mitigation actions. This will allow ME to know more about who the Bank currently works with, their risk, social and environmental impact and help the Bank to make better decisions about whom it chooses to work with in the future.

### **Human rights and the environment.**

ME values and respects human rights and the environment. Relationships with suppliers are based on lawful, efficient and fair practices. The Bank expects its suppliers to be environmentally conscious and to obey the laws and regulations in their jurisdictions that require fair treatment of all workers within a safe environment. ME's obligations under the *Modern Slavery Act 2018* initiated a program of work in the 2020 financial year from which consideration was given to modern slavery prevention inclusions to ME's Policies, Procedures, Guidelines and contractual documents. A review of ME's supply base was undertaken to identify services considered high risk for modern slavery practices. Suppliers providing these services were engaged to provide information regarding their practices for ME to assess. There were no concerns identified for these suppliers; however, this program of work is ongoing to ensure processes and procedures for mitigating these risks are embedded at ME, and our employees understand how to identify them.

## EXTERNAL AUDITOR

The role of the external auditor is to provide an independent opinion that the Bank's financial reports are true and fair, and comply with applicable regulations. ME's external auditor is Deloitte Touche Tohmatsu, who has been engaged since March 2007. In accordance with the Bank's Auditor Independence Policy and APRA requirements, the audit engagement partner rotates every five years.

## ACCOUNTABILITY

ME has a Prudential Disclosures Policy, which provides for the Bank to meet its obligations under APS330 (and other good governance practices) to make public disclosures that reflect the scope and complexity of the Bank's operations (including the sophistication of its risk management systems and processes) and are appropriate, accurate, high quality and timely. The disclosures are intended to provide information that contributes to the transparency of financial markets and enhances market discipline.

The Audit and Governance Committee Charter states that one of the purposes of the committee is to provide an objective view of the effectiveness of ME's financial reporting framework and overall internal control framework. Communications about the half-year and full-year financial results are approved by the Board before they are published.

## SHAREHOLDER COMMUNICATION AND PARTICIPATION

ME recognises the importance of keeping its shareholders fully informed and has an established network engagement framework that provides pathways for two-way communication between the Bank, the Board and shareholders, including quarterly financial presentations, and an AGM.

The Board has established a Shareholder and Key Stakeholder Engagement Group, which is a bi-annual forum for nominated shareholders and stakeholder representatives to meet with the Chairman, other directors and senior management to discuss relevant matters.



## RISK MANAGEMENT

The Board has a risk management framework to identify, measure, evaluate, monitor, report, and control or mitigate all internal and external sources of material risk across the Bank.

ME seeks a risk profile that meets the objectives of key stakeholders through balancing the growth of the business with the protection of shareholders' funds, earnings, brand and reputation, its operating licence, and the interests of its customers.

ME maintains a rolling, enterprise-wide, three-year Business Plan that sets out its approach for the implementation of its strategic objectives. The Business Plan is reviewed annually and approved by the Board.

The Business Plan considers the material risks associated with its strategic objectives. These risks are explicitly managed through the risk management framework and reflected in ME's Risk Appetite Statement and risk profile.

### **Risk management framework.**

The risk management framework is centred on a Risk Management Statement, signed by the CEO, which articulates the purpose and value of successful risk management and is the overarching intent against which all components of the risk management framework are aligned. The statement recognises that the design and implementation of controls to mitigate risks will reasonably assure the achievement of the Bank's corporate objective. The four risk management objectives contained in the risk management framework and shown on the following page provide the Bank with a single, integrated and structurally lean approach to manage all material risks in a consistent way and support a fit-for-purpose risk-based culture.

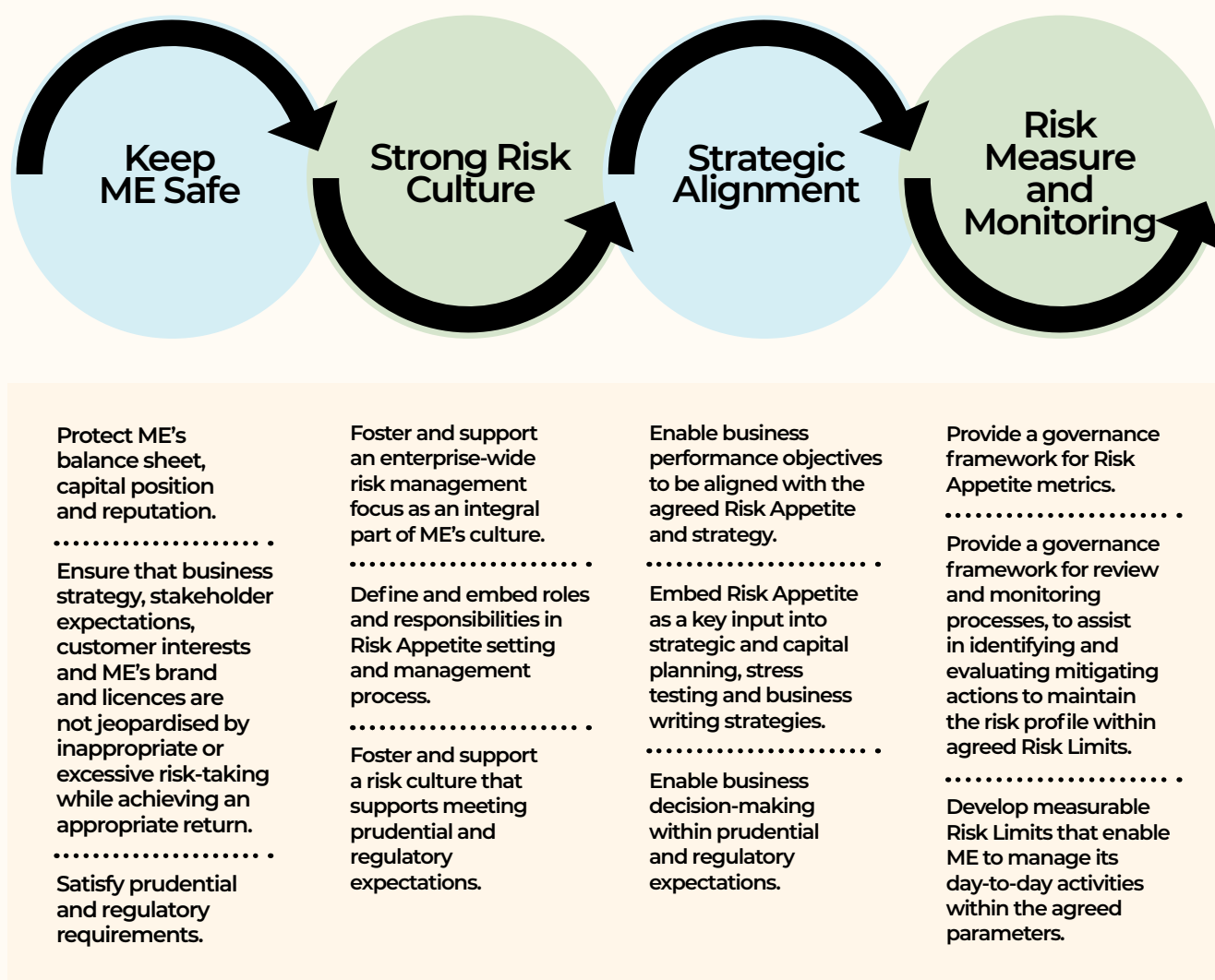


Figure 15 – Risk management framework

The framework supports a ‘three lines of defence’ governance model that is reflected across roles and responsibilities, management and Board committee structures, decision-making, and reporting.

The risk management framework is a living document that is updated as required.

The following management committees have been established to assist the Board and its committees to fulfil their responsibilities by implementing and overseeing the ongoing operation of established risk management frameworks, policies, procedures and controls, and setting and fostering the risk culture of the Bank:

- Credit Risk Committee
- Asset and Liability Committee
- Operational Risk and Compliance Committee
- Executive Risk and Governance Committee.

The Board must make an annual risk management declaration to APRA, which must be signed by the Chair and the Chair of the Risk and Compliance Committee. The risk management declaration procedure applies to all material risks. Management follows a process, based on input from all executives, to develop a recommendation for the Board regarding the risk management declaration.

ME’s internal audit function provides reasonable assurance to the Audit and Governance Committee, the Board, and management that the Bank’s internal control environment, which is established to manage the Bank’s risks and achieve its strategic objectives, has been designed and is operating effectively. The internal audit function is objective and independent and carries out audits under an annual plan that is approved by the Audit and Governance Committee. The head of internal audit has a direct reporting line to the Chair of the Audit and Governance Committee and the internal audit team has unrestricted access to management and the right to seek information and explanations.



Figure 16 – Risk management framework

## REMUNERATION

The People and Remuneration Committee assists the Board by regularly reviewing and making recommendations to the Board on the Bank's remuneration policy and by monitoring compensation levels and policy guidelines, including the alignment of remuneration with risk-related key performance indicators where appropriate. The committee reviews the Bank's recruitment, retention and termination practices to ensure they attract and retain high calibre talent with the capability to lead the Bank to achieve its targets. The committee has a charter that is reviewed every two years, and a copy of the charter is available on the ME corporate website [mebank.com.au](http://mebank.com.au).

The aggregate compensation made to key management personnel of the Group is set out below:

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Key management personnel</b>		
Short-term benefits	4,609,530	4,858,685
Other long-term benefits	296,122	1,013,152
Termination benefits	326,268	317,277
<b>Total key management personnel compensation</b>	<b>5,231,920</b>	<b>6,189,114</b>

*Figure 17 – Remuneration of key management personnel*

Board schedule of fees of the Company		Company
	2020	2019
	\$	\$
Chair of the Board	195,650	189,000
Member of the Board	97,825	94,500
Audit and Governance Committee		
Chair of the committee	14,700	14,200
Committee member	7,350	7,100
Risk and Compliance Committee		
Chair of the committee	14,700	14,200
Committee member	7,350	7,100
People and Remuneration Committee		
Chair of the committee	14,700	14,200
Committee member	7,350	7,100
Digital Committee		
Chair of the committee	14,700	14,200
Committee member	7,350	7,100
Investment and Partnerships Strategy Committee (dissolved 15 June 2019)		
Chair of the committee	-	14,200
Committee member	-	7,100
Special Issues, Regulatory & Compliance Committee		
Chair of the committee	14,700	-
Committee member	7,350	-
Nominations Committee		
Chair of the committee	-	-
Committee member	-	-

**Figure 18 – Board schedule of fees**  
(fees are inclusive of superannuation)

The aggregate compensation (entirely consisting of short-term benefits) made to directors is set out below:

Director		2020	2019
		\$	\$
K Hodgson	Chair of the Board (ceased 31 March 2019)	0	142,811
	Committee member	0	17,307
	<b>Total compensation</b>	<b>0</b>	<b>160,118</b>
J Evans	Chair of the Board (appointed April 2019)	192,325	30,508
	Committee member	9,738	864
	<b>Total compensation</b>	<b>202,063</b>	<b>31,372</b>
P Everingham	Member of the Board (appointed April 2019)	96,163	15,396
	Committee member	14,562	2,044
	<b>Total compensation</b>	<b>110,725</b>	<b>17,440</b>
D Issa	Member of the Board (appointed March 2019)	96,163	23,841
	Committee member	17,106	2,460
	<b>Total compensation</b>	<b>113,269</b>	<b>26,301</b>
C Bart	Member of the Board	96,163	94,500
	Committee member	24,329	21,798
	<b>Total compensation</b>	<b>120,492</b>	<b>116,298</b>
C Christian	Member of the Board	96,163	94,500
	Committee member	27,015	38,196
	<b>Total compensation</b>	<b>123,178</b>	<b>132,696</b>
G Combet	Member of the Board (ceased February 2020)	60,156	94,500
	Committee member	0	28,024
	<b>Total compensation</b>	<b>60,156</b>	<b>122,524</b>
J Milne	Member of the Board (ceased October 2018)	0	22,998
	Committee member (ceased March 2019)	0	4,965
	<b>Total compensation</b>	<b>0</b>	<b>27,963</b>
J Nesbitt	Member of the Board	96,163	94,500
	Committee member	21,926	26,052
	<b>Total compensation</b>	<b>118,089</b>	<b>120,552</b>
E Rubin	Member of the Board (ceased June 2020)	96,163	94,500
	Committee member	17,033	29,979
	<b>Total compensation</b>	<b>113,196</b>	<b>124,479</b>
<b>Total directors compensation</b>		<b>961,168</b>	<b>879,744</b>

Figure 19 – The remuneration paid to each director

# Glossary.

<b>ADIs</b>	Authorised deposit-taking institution
<b>APRA</b>	Australian Prudential Regulation Authority
<b>Bank, The</b>	ME Bank
<b>CDR</b>	Consumer Data Right
<b>ETA</b>	Everyday Transaction Account
<b>FUM</b>	Funds Under Management
<b>NPP</b>	New Payments Platform
<b>OH&amp;S</b>	Operational Health and Safety
<b>OSA</b>	Online Savings Account
<b>RMF</b>	Risk Management Framework
<b>NPAT</b>	Net Profit After Tax
<b>NIM</b>	Net Income Margin
<b>NII</b>	Net Interest Income
<b>FVTOCI</b>	Fair Value Through the statement of Other Comprehensive Income
<b>RBA</b>	Reserve Bank of Australia
<b>ASX</b>	Australian Stock Exchange







**[mebank.com.au](http://mebank.com.au)**