



2020/2021
Member Report

Heritage Bank
People first.



Heritage Bank

People

ACKNOWLEDGEMENT OF COUNTRY

Heritage acknowledges the Traditional Custodians of the lands on which we live and work. We pay our respects to Elders past, present and emerging.



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Auditor
KPMG

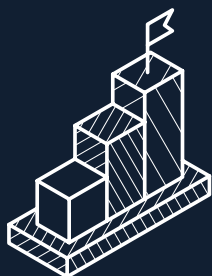
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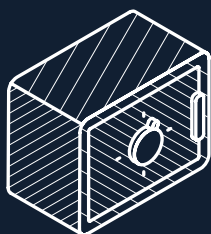
2020/21 in Numbers



NET PROFIT AFTER TAX
\$44.81
MILLION



LOAN APPROVALS
\$2.46
BILLION



TOTAL CONSOLIDATED
ASSETS
\$11.9
BILLION



RETAIL DEPOSITS
\$9.38
BILLION

NET INTEREST MARGIN

1.93%

30-DAY LOAN ARREARS

0.45%

NET PROMOTER SCORE

41.6

LIQUIDITY RATIO

24.30%

EMPLOYEE SURVEY
PARTICIPATION RATE

92.8%

TOTAL MEMBER NUMBER

327,248

CAPITAL ADEQUACY RATIO

14.28%

CUSTOMER SATISFACTION

90%

TOTAL MEMBER TRANSACTIONS

137
MILLION

DIGITAL WALLET TRANSACTIONS

7.1
MILLION

ONLINE TRANSACTIONS

27.4
MILLION

NET MEMBER GROWTH

3%

BRANCHES AND
MINI-BRANCHES

60

CONTACT CENTRE TOTAL
MEMBER INTERACTIONS

600,139

EMPLOYEE NUMBER

868

TOTAL COMMUNITY
INVESTMENT

\$6.708M

Financial performance overview

PERFORMANCE MEASURES	2021	2020	% Movement
Profit before tax (\$ millions)	64.396	51.672	24.6%
Profit after tax (\$ millions)	44.810	36.269	23.5%
Total consolidated assets (\$ billions)	11.943	10.739	11.2%
Loan approvals (\$ billions)	2.464	1.873	31.6%
Total Loans			
balance at year end (\$ billions)	8.906	8.642	
growth for 12 months (\$ millions)	263.24	172.84	52.3%
growth for 12 months (%)	3.05%	2.04%	
System growth in loans	5.3%	3.1%	
Tier 1 Capital	12.79%	13.06%	
Capital Adequacy Ratio	14.28%	14.83%	
Liquidity Ratio	24.30%	18.01%	
Mortgage loan arrears greater than 30 days	0.45%	0.40%	
Net Interest Margin	1.93%	2.01%	
Cost to Assets	1.51%	1.69%	
Cost to Income	72.7%	77.3%	
Retail Deposits			
balance at year end (\$ billions)	9.383	7.907	
growth for 12 months (\$ millions)	1,476	638	
growth for 12 months (%)	18.7%	8.8%	
System growth in deposits	9.5%	8.5%	
Staffing			
Full-time equivalent (FTE) at year end	809.0	789.1	
Average FTE for the 12 months	794.9	780.4	
Credit Ratings			
Moody's (Outlook - Stable)	Baa1/P-2	Baa1/P-2	
Fitch (Outlook - Stable)	BBB+/F2	BBB+/F2	
Total member numbers	327,248	317,650	3%

Leadership message

The 2020/21 year highlighted the resilience of Heritage Bank, our members, and the communities we serve. It also represented a year of significant progress on our journey of transformation, as we reshape our business to become a digital bank with a personal connection, while continuing to put people first in everything we do.

The financial year began with the shadow of COVID hanging heavily over our operations and the world as a whole. The outlook for the Australian economy was uncertain, as the pandemic continued to disrupt all aspects of life around the globe. Within Heritage, COVID impacts were ever-present. Our office-based teams were still working largely from home, and our branches were operating in a very different way, with COVID-safe protocols dictating their activities. A return to normality seemed a very long way off. Given the circumstances, we enacted the prudent measure of taking a significant credit provision of \$10.8 million in June 2020, to prepare for the possibility that COVID would impact on our members' financial wellbeing in the year ahead. We braced ourselves for a challenging period of subdued economic activity ahead.

Happily, fears of a COVID-driven downturn in our financial results proved unfounded. Our performance rebounded strongly with excellent growth in lending, retail deposits, and total consolidated assets, along with an outstanding profit result. This outcome reflected how well the Australian economy has coped with the COVID pandemic so far, as well as how people across the country adjusted their spending habits in a low-interest environment.

We recorded an after tax profit of \$44.81 million in 2020/21, up 23.5% on the previous year – noting that the 2019/20 result was impacted by the significant credit provision we took. Our total consolidated assets at 30 June 2021 were \$11.943 billion, up 11.2% on the previous year. Our lending volumes increased significantly, with total loan approvals of \$2.464 billion in 2020/21, up 31.6% on the previous year. Our retail deposits also grew strongly, up 18.7% to \$9.383 billion at year end. That represented double system growth. Pleasingly, our 30-day mortgage arrears rate remained extremely low at just 0.45%

The results reflected a number of trends being felt across the country. The emergency measures that the Federal Government put in place to offset COVID injected plenty of cash into the economy this year. With limited travel possible, and with lingering concerns about what COVID meant for the future, many people chose to put more money into savings or pay down their loans. At the same time, with interest rates at historic lows, investing in property grew in popularity, with real estate markets booming across the country.

Those factors combined to deliver excellent financial results for 2020/21. What is unsure is whether the buoyancy in the Australian economy can continue without the strong Government financial assistance measures that many people have enjoyed, and with a recurrence of lockdowns as the Delta strain of the COVID virus spreads. The recent return to tighter restrictions in many states threatens to undermine the optimism that many people felt about a return to normality. What is certain is that speeding up vaccination rates around the country is the key to our long term recovery, and Heritage continues to advocate strongly for greater action on this front.

COVID has proved challenging but it has also demonstrated the adaptability and commitment of our people. Everyone at Heritage has had their normal working arrangements disrupted, with our frontline branch staff in particular having to adopt new procedures and ways of operating. Throughout the process of navigating this "new normal", our people have maintained their complete focus on serving the interests of our members.

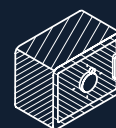
That focus also shines through in our ongoing transformation program, as we reshape how we operate to deliver our "people first" approach in an increasingly digital world. What's most important as we become more digital is that we maintain the personal touch our members value so much,



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MILLION



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while also harnessing the power of digital technologies in improving the member experience. We call it becoming a “digital bank with a personal connection”. In 2020/21, we launched a number of key transformation initiatives that use technology to better serve our members. We signed a new contract with Vocus to significantly upgrade data connectivity across the business. We announced a partnership with global information services firm Experian Australia to introduce a new loans origination platform that will cut the processing time for the average home loan application by up to 80 per cent. We announced a five-year agreement with specialist customer communications provider Chandler that will revolutionise how we send letters, statements, product information and other communication items to members. We also launched Apple Pay for our members, becoming one of the few financial institutions in the country to offer the full range of digital wallets.

We also understand that our members increasingly expect us to be more transparent about our approach to Environmental, Social and Governance (ESG) issues. Acting responsibly and ethically has always been inherent in our activities, and we must continue operating in a way that encourages the sustainability of our environment, our communities and our business practices. We adopted an ESG Policy and Position Statement in June 2020, and this year we have committed to the key actions that will help us deliver on the principles underpinning our ESG approach. These key actions are embedded in our Business Plan and outlined in this Member Report document.

Giving back to the community is a key component of our ESG approach, and an integral part of the mutual philosophy. We give back to the community in many ways, including direct financial contributions and sponsorships, as well as in-kind support. This year we have quantified the value of those contributions, and we are delighted to announce that our total community investment in 2020/21 was \$6.708 million. That is an outstanding result for an organisation of our size and illustrates clearly our strong commitment to supporting our communities.

Digital and online technologies offer many advantages to our members, but we are equally committed to maintaining our branch

network. In fact, we have announced plans to open two new branches, one in Macquarie Park in Sydney and one at Tweed Heads, by the end of 2021. Branches definitely have a place in the future of banking - what will change is the role that they play. No longer will they be based around cash transactions. Rather, they will be places people visit for advice about their biggest financial decisions. At Heritage, we understand it's not one or the other for our members - they want both great online channels as well as access to a branch network.

Finally, as we moved into the 2021/22 financial year, Heritage announced exciting news that has the potential to significantly strengthen our future, so we can deliver more for our members. We have entered into discussions with South Australian-based People's Choice Credit Union to explore the possibility of a merger of the two organisations. This would be a true merger of equals, bringing together two organisations of a very similar size, who share a commitment to mutuality and serving our members. From initial discussions, we believe a merger would give us the increased size and scale needed to remain competitive in the banking sector, and to deliver more for members. A due diligence process is taking place, and if that indicates that a merger would be in the interests of members, the proposal would go to a member vote in early 2022. It's early days yet, but these discussions have the potential to help Heritage create a new national force for good in the Australian banking sector.

The 2020/21 year was definitely unusual in many ways, with our excellent financial performance defying initial expectations of a COVID-related downturn. We would like to thank our staff for their absolute commitment to serving members despite the difficulties that COVID created. We would also like to thank our members for their continued support and loyalty. Heritage remains totally focussed on serving our members' needs as our number one priority, and that will continue no matter what else changes in future.

Kerry Betros AM **Peter Lock**
Chairman **CEO**

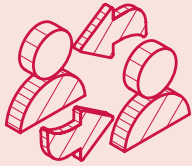


Peter Lock,
CEO

Kerry Betros AM,
Chairman

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Strategy overview



OUR VISION

We're passionate about helping people



OUR MISSION

Delivering a great member experience every time



OUR VALUES

Passion
Integrity
Courage
Respect



OUR STRATEGIC GOALS

Attract and grow new members
Build and maintain existing members
Build a bank to be proud of
Attract and grow passionate people



Jana Safarik, Member Experience Officer from our Springwood Branch

What matters most – our key ESG commitments






In June 2020, we adopted an Environmental, Social and Governance (ESG) Position Statement that sets out our approach to embedding sustainable and ethical business practices in our operations. As a mutual financial institution, acting responsibly and ethically has always been inherent in our operations. We exist to serve the interests of our members, and their communities, not to maximise profit for shareholders. We have always acted with the greater good of our community in mind.

Heritage Bank recognises the importance of considering the ESG implications of our activities. The longevity of our society depends on the sustainability of our environment, our communities and our business practices. We understand that we have a responsibility to foster sustainability and to focus on outcomes beyond financial metrics. Heritage believes that fulfilling our ESG responsibilities is best achieved by embedding our core values





into our policies, procedures and practices to benefit our people, our community and our world. We recognise that ESG considerations must also be part of our risk management framework and become part of our day-to-day decision making processes.







We have committed to the following key actions under our ESG Policy, and they have been incorporated into our rolling Business Plan. The actions have been matched to the UN Sustainable Development Goals (SDGs), the universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030. Our ESG commitments have been matched to the SDGs that are relevant to them.



ENVIRONMENTAL PRINCIPLE	COMMITMENT	UN SUSTAINABLE DEVELOPMENT GOAL
Reduce our contribution to global warming wherever possible	<ul style="list-style-type: none"> We will investigate gaining certification under Climate Active Carbon Neutral Standard for Organisations (Australian Government standard as determined by the Department of Industry, Science, Energy & Resources) by 2024. We will seek to become a signatory to the UN's Collective Commitment to Climate Action by 2024 	  
Reduce the use of natural resources in our business operations wherever possible	<ul style="list-style-type: none"> We will Install energy efficient lighting across all Heritage Bank locations by 2024 We will ensure that recycling bins are in place in all our offices and encourage staff to place all recycling materials in them. We will prioritise fuel efficiency and reduced CO2 emissions in the acquisitions of all our company owned vehicles We have all our office locations fitted with quick boil hot water systems to minimise wastage of water We will dispose of all obsolete IT equipment (printer cartridges, phones, older technology) through an e-Waste recycling program 	 

Our key ESG commitments continued...

ENVIRONMENTAL PRINCIPLE	COMMITMENT	UN SUSTAINABLE DEVELOPMENT GOAL
<p>Avoid contributing to unacceptable environmental impacts caused by the activities of customers, suppliers and business partners wherever possible</p>	<ul style="list-style-type: none"> • We will update our policies and procedures for both lending and deposits by 2022 to identify industries that contribute to negative environmental, social and ecological outcomes • We will update our procurement process by 2022 to identify suppliers whose direct business activity contributes to negative environmental, social and ecological outcomes • We will replace our current industry codes with the more granular ANZSIC codes by 2022 to better identify industries that fall outside our ESG appetite 	 <p>7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION</p>
<p>Support activities that contribute to greater environmental sustainability</p>	<ul style="list-style-type: none"> • We will continue to partner with the Woolworths Organic Growth Fund to support greater use of organic farming practices in Australia • We will develop and implement “green” loan products by 2024 to encourage member investment in environmentally beneficial activities • We will sponsor OzHarvest’s food recovery program in 2021 and 2022 	 <p>2 ZERO HUNGER 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION</p>
SOCIAL PRINCIPLE	COMMITMENT	
<p>Embed internationally recognised human rights standards within our operations</p>	<ul style="list-style-type: none"> • We will launch a Diversity and Inclusion strategy in 2020/21 • We will achieve WGEA Employer of Choice citation by 2024 	 <p>5 GENDER EQUALITY 10 REDUCED INEQUALITIES</p>
<p>Act to reduce inequality and exclusion for particularly vulnerable members of our communities</p>	<ul style="list-style-type: none"> • We will launch a Diversity and Inclusion strategy in 2020/21 • We will achieve WGEA Employer of Choice citation by 2024 • Heritage will develop Financial Literacy resources aimed at key migrant/refugee communities, and other groups of vulnerable Australians, by 2022 • We will adopt a Vulnerable Customers Policy by 2022 • We will introduce a Reflect level Reconciliation Action Plan (RAP) by 2022 	 <p>5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES</p>

SOCIAL PRINCIPLE	COMMITMENT	UN SUSTAINABLE DEVELOPMENT GOAL
<p>Contribute to increased social equality by assisting people to achieve financial security through the products, services and advice we provide</p>	<ul style="list-style-type: none"> In 2021/22, we will provide lending and deposit products that give our members an additional financial benefit of at least \$40 million, in comparison to the equivalent products offered by the major banks (as measured by CANSTAR) 	  
<p>Contribute to increased social equality through the activities we undertake to support communities, consistent with our mutual values</p>	<ul style="list-style-type: none"> We will make a minimum of \$2.5 million in philanthropic contributions each year to the communities in which we operate We will investigate measures to limit the ability of problem gamblers to use credit cards for gambling activities We will sponsor OzHarvest's food recovery program in 2021 and 2022 	 
GOVERNANCE PRINCIPLE	COMMITMENT	
<p>Adopt high standards of corporate governance</p>	<ul style="list-style-type: none"> We will publish a Corporate Governance Statement annually, which includes details of our Board Committee structure and our Executive Committee structure. We will publish the key items in our Senior Executive Group's balanced scorecard annually 	 
<p>Act with the interests of our members driving our decisions</p>	<ul style="list-style-type: none"> We will implement a new complaints handling system by the end of 2021 We will maintain an average monthly score on the Roy Morgan Customer Satisfaction ratings of higher than 90% in 2021/22 	  
<p>Set expectations for our staff to meet high standards of ethical behaviour</p>	<ul style="list-style-type: none"> We will develop and roll out a Member Charter in 2021 Relevant staff will complete annual competency training and continued professional development to cover required credit and financial services competencies We will maintain a Code of Conduct that sets out acceptable standards of behaviour from staff, supported by communication collateral 	 

Delivering our Transformation Program

The banking industry is currently undergoing a significant transformation, as digital technologies completely reshape the way customers carry out their banking, as well as the way banks operate.

As a result, Heritage is also undergoing a transformation process, to keep pace with the changing needs of our members. We are moving away from the traditional branch-based model of banking toward a more hybrid model, which incorporates an approach that is based more on digital and online banking. While we are adopting a more digital approach, that does not mean Heritage is abandoning branches. We believe branches will still have an important, though different, role to play in satisfying our members' needs in future. We also believe maintaining a personal touch and connection with our members is an important part of the difference we have to offer. Our goal is to move toward becoming a "digital bank with a personal connection".

Transformation isn't just about new technology though. It's bigger. It requires our organisation to streamline (people, process, technology and information) to work seamlessly for one purpose – the member experience. That means we have to transform our thinking on how we do things.

To help us achieve that, we established the Transformation Office in 2019 to oversee the projects most critical to our transformation program. Key deliverables from the Transformation Program in 2020/21 included the following:

CORE BANKING REPLACEMENT

Heritage has made significant progress on its most transformative project – the replacement of its core banking system. We recognise that the limitations of our current 40-year-old core banking system mean it is not appropriate to power the digital bank with a personal connection that we aspire to be. Given the magnitude of the project, Heritage this year issued a Request For Proposal (RFP) to selected vendors, asking them to outline how they would provide

cloud-based technology platforms for core banking, customer relationship management and digital member engagement including internet banking and mobile apps. We've also spoken with other financial institutions who have gone through core platform replacements to learn from their experiences. We received and analysed submissions, heard presentations from vendors, evaluated a shortlist of suitable proposals, and underwent a series of in-depth workshops with the finalists. After that process, we selected the preferred platform and will work with the vendor on evaluating the solution through the remainder of 2021. The external benchmarking, RFP exercise, and thorough procurement process will help us identify a core banking solution that will enable us to achieve our goal of becoming a digital bank with a personal connection.

PRODUCT ORIGINATION PLATFORM

In late 2020, Heritage announced a partnership with global information services firm Experian Australia to introduce a new loans origination platform. Loan applicants will enjoy a much faster and simpler experience thanks to the new platform, which will provide one interface to connect the multiple programs required to load and process a lending application. Heritage and Experian are working closely together to rollout the platform, which will be used for both home loans and personal loans. The platform will incorporate a new credit decisioning solution, which will cut down the assessment timeframes through auto-approvals for eligible loans. In addition, borrowers will be able to load applications and supporting documents online, which will also speed up the application process. When fully implemented the new platform will significantly speed up and simplify the lending application process, both for staff and members.



ESTABLISHED THE
TRANSFORMATION
OFFICE IN 2019



ANNOUNCED PARTNERSHIP
WITH EXPERIAN AUSTRALIA



FIBRE-FIRST
COMMUNICATIONS
DEAL WILL DELIVER
UP TO 20 TIMES
EXISTING BANDWIDTH

FIBRE-FIRST COMMUNICATIONS DEAL

During this year, Heritage Bank announced a five-year deal with specialist fibre and network solutions provider Vocus that will deliver up to 20 times its existing bandwidth, markedly reduce costs, and significantly accelerate its digital transformation and growth strategy. The new solution will enable us to increase our speed to market with new technology, products and services, provide a more productive and collaborative environment for our teams, and ultimately provide a better experience for members using our digital channels and branches. Vocus won the competitive procurement process to provide Heritage's data and voice communications solution for the next five years. Under the deal, Vocus will establish fibre network connections across all Heritage Bank sites, with all connections secured, monitored and controlled via a new managed software-driven WAN solution. Vocus will also provide secure core network, internet, and enterprise voice services, as well as introduce Zoom video-first collaboration services across the bank.

IMPROVEMENTS TO CUSTOMER COMMUNICATIONS

Heritage this year signed a five-year agreement with specialist customer communications provider Chandler to significantly upgrade how it sends letters, statements, product information and other communication items to members. The new partnership will not only cut costs through reduced postage, but will also take advantage of the digital capabilities Chandler offers to improve the customer experience for members. Previously, Heritage has been sending communication pieces to members through nine separate systems, in a variety of both hard copy and digital formats, with little uniformity. The partnership with Chandler reflects Heritage's increasing maturity in communications. It will centralise the function and make all customer communication items including letters, emails and SMS more consistent, attractive, and easier to read.



Amanda Saunders, Financial Crimes Investigator
from our Banking Operations team

Meeting our regulatory and compliance commitments

Heritage has continued to devote significant resources to fulfilling our commitments under a wide range of regulatory reforms the Federal Government has introduced. Highlights of the year have included the following:

OPEN BANKING

The Federal Government has introduced the Consumer Data Right initiative – also known as Open Banking – which is a new data-sharing initiative designed to give people greater access to and control over their financial data. Heritage has already gone live with sharing data about our products and was one of only a few non-major banks to meet the deadline of 1 July 2021 for enabling members to share with accredited data recipients specific authorised data about their individual personal and credit card accounts. In future stages, our members will be able to share more data such as information on lending accounts, joint accounts, direct debits, scheduled payments, regular payees, recurring account and payment details and closed accounts.

INTERNAL DISPUTE RESOLUTION – RG 271

The Federal Government introduced revised requirements for a financial institution's Internal Dispute Resolution system, due to come into effect in October 2021. Heritage this year has already introduced a new internal disputes resolution system, after reviewing, updating and improving its complaints policy, processes and procedures. The new system has been implemented, in order to provide great service to our customers when dealing with their complaints, and includes a focus on ensuring we deal with customers experiencing vulnerability in an appropriate and compassionate way.

DESIGN AND DISTRIBUTION OBLIGATIONS – RG 274

New obligations are being imposed on financial institutions to have adequate product governance frameworks in place to ensure products are targeted at the right people and are appropriate for their circumstances. The obligations are set to commence

in October 2021. As Heritage already takes a member-centric approach in everything we do, we are well advanced to meet these new requirements.

ANTI-HAWKING REFORMS

Changes to anti-hawking laws come into effect in October 2021, and in order to comply with the new laws, as well as to ensure we continue to provide legendary service to our members, Heritage has taken the opportunity to revise its sales and service framework. The new approach is known as "Every Conversation Matters", and will ensure our frontline staff are enabled to meet members' needs while also meeting all compliance requirements in relation to anti-hawking.

COMPLIANCE UPDATES

Our Compliance Team has done a great job this year, not only ensuring compliance incidents are appropriately handled but continuing to improve the compliance framework under which Heritage operates. Highlights have included:

- Updating our public facing Privacy Policy to ensure how we deal with personal information is transparent to all our members;
- Implementing new Responsible Persons and Responsible Managers Policy and Procedures to ensure we have the organisational competence required to best run Heritage and meet our licensing obligations
- Establishing National Consumer Credit Protection Compliance and Financial Services Regulatory Compliance programs to help ensure we are meeting our regulatory obligations.
- Introducing new breach management and reporting policy and procedures.



OPEN BANKING
DATA-SHARING INITIATIVE



EVERY CONVERSATION
MATTERS



IMPROVED COMPLIANCE
FRAMEWORK

Our Members

HELPING OUR MEMBERS ACHIEVE THEIR FINANCIAL GOALS

Heritage exists to serve the interests of our members. One of the key ways we do that is by providing them with the means to achieve their financial goals.

In 2020/21:

- We gave 6,320 members a new loan that enabled them to buy a home.
- We gave 3,718 members a new personal loan to achieve their goals, whether that was to buy a car, take a holiday or plan a wedding.
- We helped 38,560 members increase their savings through new Term Deposits in 2020/21.
- We helped our members achieve their business goals with 217 new business banking loans in 2020/21
- Our members carried out 137 million transactions in 2020/21

PROVIDING GREAT SERVICE TO OUR MEMBERS

Heritage prides itself on providing our members with a satisfying banking experience. We're proud that our Roy Morgan monthly Customer Satisfaction score as at 30 June 2021 was 92.7%, among the best in the country. Our Net Promoter Score (NPS) – the likelihood that our members would recommend us to others – was 41.6, again among the highest in the country.

DELIVERING FINANCIAL BENEFITS

Because our members are our main focus, we always aim to deliver financial benefits to them. Rather than seeking massive profits, our goal is to give members a better overall deal. That's backed up by independent analysis from research company CANSTAR, which found that our members were almost \$59 million a year better off in 2020/21 through banking with Heritage rather than one of the big four banks. Our members gained a \$31.4 million benefit in rates and fees on our lending products, and a \$27.5 million benefit because of better interest rates and fees on deposit products.



Heritage staff members support the DV Safe Phone Campaign on the Sunshine Coast.



6,320
NEW HOME LOANS



3,718
NEW PERSONAL LOANS



38,560
TERM DEPOSITS AT 30/6/2021



217
NEW BUSINESS LOANS



685,349
SAVINGS AND TRANSACTION
ACCOUNTS AT 30/6/2021

Our members continued...



AWARDS

2020 J.D. Power Australia Bank Brand Authenticity Study	Heritage ranked highest in perceived brand authenticity for retail banks
2020 Forbes World Best Banks	Heritage ranked number one bank in Australia for the second year in the a row
2020 Canstar 5-Star Ratings	Outstanding Value for products including Online Saver, Pension Plus, Gold Low Rate Credit Card, Business loans, Business Transaction account and Deposits
2020 RateCity Savings Awards	Gold Award - Online Saver Product (Best Standard Savings Account category) Gold Award – Investor 3 Year Fixed Home Loan
2020 Mozo Experts Choice Award	Winner Bank Accounts & Savings – Kick Start Savings
2020 Australian Business Association Awards	Employer of Choice Award (10th year in a row)
2021 Forbes World Best Banks	Heritage ranked number five in Australia
2021 RateCity Loan Awards	Best Used Car Loan
2021 RateCity Savings Awards	Best Regular Savers Account (Target Bonus)
2021 Mozo Experts Choice Awards	Kickstart Savings and No Strings Savings (Online Saver) Pensioner Account (Pension Plus), SMSF No Strings Savings (Super Secure Account) and Term Deposit, Small Business Term Deposit.
2021 Money Magazine Consumer Finance Awards	Customer Owned-Bank – Money Minder of the Year
2021 Finder Credit Cards Finalist	Best No Annual Fee Credit Card (Gold Low Rate)

APPLE PAY

In 2020, Heritage gave members access to Apple Pay, a safer, more secure and private way to pay for purchases. Apple Pay helps customers avoid handing their payment card to someone else, touching physical buttons or exchanging cash — and uses the power of iPhone to protect every transaction.

Members can now simply hold their iPhone or Apple Watch near a payment terminal to make a contactless payment. Every Apple Pay purchase is secure because it is authenticated with Face ID, Touch ID, or device passcode, as well as a one-time unique dynamic security code. Apple Pay is accepted wherever contactless payments are accepted, including grocery stores, pharmacies, taxis, restaurants, coffee shops, retail stores, and many more places.

The arrival of Apple Pay comes at an important time, with Heritage Bank seeing an uplift in the use of contactless and digital payment solutions in the wake of COVID-19.

DIGITAL WALLETS

With the launch of Apple Pay, Heritage became one of only a handful of banking organisations in Australia to offer members the full range of digital wallets – which also includes Google Pay, Samsung Pay, FitBit Pay and Garmin Pay. This provides Heritage members with significant flexibility and choice in using digital wallets. That choice has proven very popular, with Heritage members making 7.1 million transactions via digital wallets in 2020/21.



EXPANDING OUR BRANCH NETWORK

In 2021, we announced plans to open two new branches in New South Wales – one in the suburb of Macquarie Park in Sydney’s north-west, and the other just over the border at Tweed Heads. This decision represents the resumption of our interstate expansion program, which COVID-19 forced us to suspend temporarily.

Macquarie Park is a highly attractive location. It’s within 20km of Castle Hill and Parramatta, so will create a cluster of branches in Sydney that will support each other and generate greater awareness. Macquarie Park is an important business centre that is forecast to become Australia’s fourth largest CBD by 2030, behind only Sydney, Melbourne and Brisbane. The Macquarie Centre Shopping Centre where our branch will be located is the second largest shopping centre in New South Wales with more than 360 specialty stores.

The Tweed Heads region is growing quickly, with an extra 35,000 people expected to live there by 2041. Much of that growth will come from young families, which provides plenty of scope for home lending. Tweed Heads is also close enough to attract business from other booming areas of northern New South Wales, including Pottsville and Kingscliff. Tweed Heads is close to our existing branches at Robina and The Pines, and can act as an extension of our network for operational purposes. The new branch will be in the Tweed City Shopping Centre, the largest in the northern New South Wales region. The goal is to open both new branches by the end of 2021.

IMPROVING OUR BUSINESS BANKING SERVICE

Heritage invested in opening a new Business Banking Centre in Toowoomba in July 2020, part of a range of improvements we have made to the way we support our business banking clients. The new Business Banking Centre is located in the high-profile ground floor tenancy of our Head Office building in Toowoomba. Our goal is to significantly grow the size of its Business Banking portfolio in the next three years by meeting an under-served need for SME banking that’s based on relationships. One way we will do that is through entry into the broker market for business lending. A specialist broker BDM has been added to the team and we look forward to delivering increased lending through this channel. Our Business Banking division achieved a 35% increase in lending in 2020/21.

ANSWERING THE CALLS FROM OUR MEMBERS

Heritage’s Toowoomba-based Contact Centre provides an extremely important service in assisting our members to fulfil their banking needs. Our Contact Centre stands out in the financial services sector as one of the few that operates 24/7, assisting members with their requirements at any hour of the day or night.

In 2020/21, our Contact Centre team:

- Enjoyed interacting with our members via 600,139 phone calls, emails, web chats and responses to website inquiries.
- Answered 60% of calls within 120 seconds
- Delivered an average wait time of just 162 seconds.

Our members continued...

IMPROVING THE MORTGAGE BROKER EXPERIENCE

Heritage launched a new mortgage broker website in 2021, with a fresh, modern design that makes navigation easy for our broker partners. It offers exclusive information to brokers as well as a web chat function that can provide quick answers to their questions. The new website will improve the broker experience, which is important as broker-initiated loans form a significant component of our loan book.

IMPROVING DECEASED ESTATES PROCESS

We've made significant improvements to our deceased estates process, helping the families of members going through an extremely emotional time. We trialled improvements over the five different stages of the deceased estate process and saw the response time drop from an average of 10 days to five days. Processing a deceased estate, from receiving notice through all the stages to settlement, now takes an average of nine business days for a simple estate, which is down from seven weeks previously. We've even been able to finalise an estate in only three days. The improvement is impressive and delivers a far better member experience during a challenging period for families grieving the loss of a loved one.

HELPING CUSTOMERS IN NEED

Heritage Bank is committed to offering accessible and inclusive financial services, and supporting members who are experiencing vulnerability or hardship. This year we implemented a Customer Vulnerability Policy that sets out our approach to dealing with members experiencing vulnerability. We have adopted the following definition of a vulnerable customer:

A customer who requires additional care from us, because their circumstances make them more likely than others to experience financial loss, physical or emotional harm, abuse, disadvantage or other detriment.

We take reasonable steps to identify customers experiencing vulnerability and provide appropriate support, including being alert to personal and environmental factors that can impact upon vulnerability. Where necessary, our staff will further enquire about potential vulnerability and escalate appropriately.

Heritage has hardship provisions in place to assist members during times of financial difficulty. We understand that people can sometimes find themselves facing financial hardship for a wide variety of reasons, and we are committed to helping them through these difficulties. Heritage offers a range of hardship provisions, including deferred or reduced repayments for a specified period of time under their loan account. In 2020/21, we assisted 598 members with hardship relief arrangements.

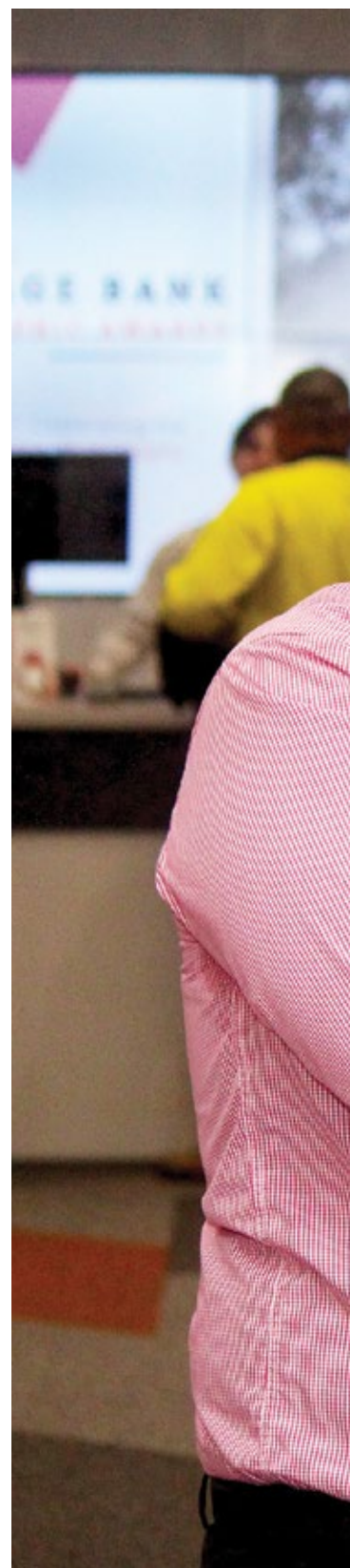
REDUCING LANGUAGE BARRIERS

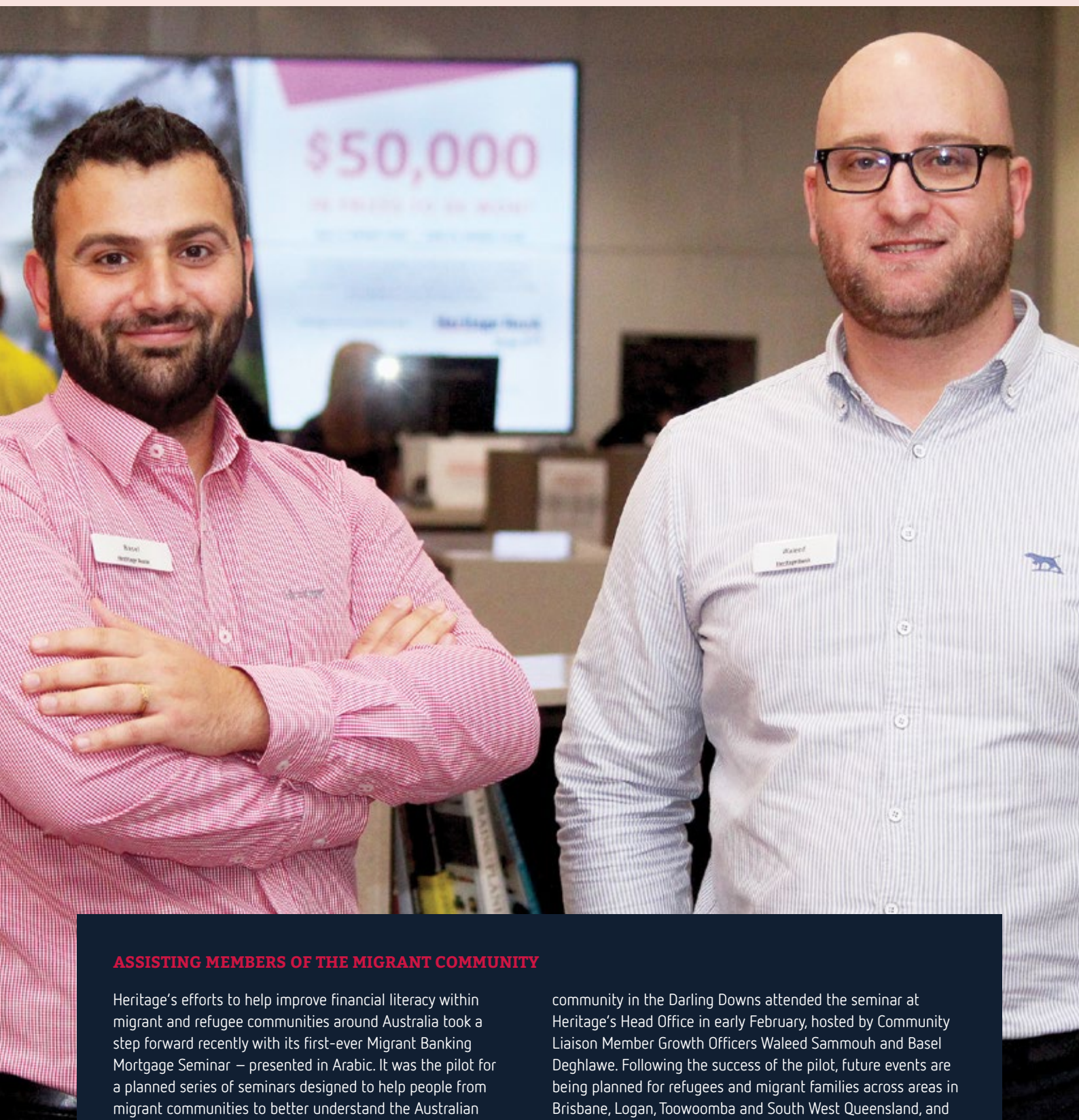
Having a team of translators and interpreters on call means there are now fewer language barriers at Heritage Bank for people with English as their second language. Heritage now offers customers access to nationally accredited translation and interpretation service Speak Your Language, which caters to more than 200 languages. The confidential service allows Heritage members to use interpreters or translators when communicating with our staff. Members can visit one of our branches or phone our Queensland-based Contact Centre and ask to use the Speak Your Language service for their enquiry.

HELPING PEOPLE AFFECTED BY FLOODS

Heritage Bank offered a helping hand to customers impacted by the devastating floods that swept parts of Queensland and New South Wales early in 2021. As a community-centric organisation, Heritage put together a Flood Relief Package that included a series of measures to assist customers and staff through these difficult times. This included:

- Hardship provisions to help impacted customers through their situation.
- Waiving fees associated with restructuring of loans needed because of flood impacts.
- Waiving or refunding fees incurred because flood impacts have made it impossible for customers to comply with requirements of their accounts, for example missed payments.
- Early redemption on Term Deposits and Farm Deposit Management accounts for customers impacted by floods, without fees or penalties.





ASSISTING MEMBERS OF THE MIGRANT COMMUNITY

Heritage's efforts to help improve financial literacy within migrant and refugee communities around Australia took a step forward recently with its first-ever Migrant Banking Mortgage Seminar – presented in Arabic. It was the pilot for a planned series of seminars designed to help people from migrant communities to better understand the Australian banking system. A group of members from the Middle Eastern

community in the Darling Downs attended the seminar at Heritage's Head Office in early February, hosted by Community Liaison Member Growth Officers Waleed Sammouh and Basel Deghlawe. Following the success of the pilot, future events are being planned for refugees and migrant families across areas in Brisbane, Logan, Toowoomba and South West Queensland, and potentially other areas of Australia.

Member Charter

In 2020/21, Heritage adopted a new Member Charter which sets out our commitments to our members. The Member Charter summarises how we treat our members, the promises we make to them, and the motivations that drive our operations. The key principles of our Member Charter are as follows:

1. WE EXIST TO SERVE YOU	As a mutual bank, Heritage exists to serve the interests of our members. That's what drives everything we do. We are owned by our members, so our number one goal is to give you the best overall banking experience we can.
2. WE HELP YOU ACHIEVE YOUR LIFE GOALS	The reason we exist is to help you achieve your life goals. That means you can trust us to take a responsible approach to lending and credit, ensuring that the financial commitments you make are appropriate for your circumstances.
3. WE PRIDE OURSELVES ON PROVIDING YOU WITH GREAT SERVICE	Heritage has a well-earned reputation for providing outstanding customer service. We promise to continue making customer service a priority, across all our touch points. Our commitment is to provide you with outstanding service that is authentic, caring and easy to access whether you come into a branch, ring our Contact Centre, use our mobile app, or visit our website.
4. WE KEEP OUR COMMUNICATIONS SIMPLE AND STRAIGHTFORWARD	Too often, banks make their communication complex and hard to decipher. Our goal is to communicate in a way that's simple and easy to understand, whether that's written communication such as our letters and our website, or verbal communication through our branches and Contact Centre.
5. WE ACT ON YOUR COMPLAINTS	We know that we won't always get things right. When that happens, we provide simple ways for you to alert us to the problem, and we will take action on it.
6. WE SUPPORT YOUR COMMUNITY	Heritage has always embraced our responsibility to act in the wider interests of the communities that our members are part of. Serving our members means not just providing them with banking products and services individually, but also supporting the communities they live in, to enhance their overall quality of life.
7. WE PROTECT YOUR PRIVACY	Heritage appreciates the extremely sensitive nature of the data we hold about our members. We promise to place the utmost importance on protecting and maintaining the privacy of your personal information.
8. WE ACT SUSTAINABLY, EQUITABLY AND WITH INTEGRITY	Ensuring the sustainability of our economy, society and environment is one of the greatest challenges our world currently faces. We know that to serve the interests of our members, we must embed greater sustainability into our operations, to protect their future and that of subsequent generations.
9. WHAT WE EXPECT FROM MEMBERS	When you join Heritage, you become more than just a customer, you take an ownership stake in a company with strong core values and principles. Being a member of Heritage brings with it expectations that you will act with the same courtesy and care toward our staff that characterises the mutual banking sector as a whole.

Our People

OUR COVID RESPONSE

As part of our ongoing response to the COVID-19 crisis, we put special emphasis not only on the health and safety of our members, but also our staff. Our front-line teams bravely continued to work in unprecedented and uncertain times, as helping members with their financial needs became more important than ever. To help safeguard our front-line staff from transmission, we took numerous safety precautions in branches such as the installation of counter screens, physical distancing and increased hygiene measures. We also took physical distancing and hygiene measures at our non-branch locations, with most Head Office staff transitioning to working remotely at short notice.

FLEXIBLE WORKING IS HERE TO STAY

Flexible working arrangements are here to stay at Heritage. COVID forced many of our office-based staff to work from home for extended periods, and we are continuing to allow staff to do so as part of more flexible working arrangements. The feedback from our staff has overwhelmingly been in favour of a mix of working modes – some time spent working from home, and some time working in the office. To assist with this capability, we rolled out Zoom video conferencing across the business, including for member-facing staff to enable a remote meeting option with members. Zoom usage continues to be strong, particularly with ongoing COVID lockdowns in South East Queensland and Sydney. Laptops were provisioned to branch staff to enable hybrid working and member engagement options.

INCREASING STRENGTH IN SENIOR MANAGEMENT ROLES

Heritage has made a concerted effort to build the strength and expertise of its senior management team in 2020/21, increasing its size by 10% during the year. Not only does this add to our business acumen and strength, it also provides opportunities for progression within our organisation. Significantly, approximately 40% of the senior management team is female.

DIVERSITY AND INCLUSIVENESS

In 2020/21, we launched our first Diversity and Inclusion Strategy. We have nurtured a great culture at Heritage over the years, with people at the forefront of everything we do. In launching our

Diversity and Inclusion Strategy we have formalised our commitment to welcoming, supporting and developing everyone as members and as part of the Heritage team. At Heritage we see Diversity and Inclusion through three lenses:

- Our People – Our workforce represents the communities we serve. Every person working here feels they are part of something and can bring their full selves to work, enabling them to achieve their personal and professional best.
- Our Members – Our team reflects and understands the differences within our membership group, and is respectful in how we serve them, delivering an exceptional experience every time.
- Our Communities – We are passionate about Diversity and Inclusion in our community and actively invest our time and resources into areas which create positive outcomes for vulnerable communities.

We seek and value people with diverse experiences and insights, across characteristics such as age, cultural identity, disability, gender expression and identity, sexual orientation, ethnicity, religious beliefs, and socioeconomic background.

REWARD AND RECOGNITION

We're proud to celebrate the contributions our staff make via our Heritage Heroes reward and recognition program. This is an innovative and extremely popular way for our staff to show their appreciation for their peers by using an online portal to nominate their colleagues in two ways:

- Staff can send their peers a range of congratulatory "eCards" at any time, to provide an instant, virtual "well done". Staff collectively sent 2117 eCards to each other in 2020/21.
- Staff can nominate their colleagues to receive a Heritage Hero award for actions over and above their job requirements. The Heritage Hero award winners are considered for the quarterly Silver Heritage Hero Awards, and can also then go into the running for the annual Platinum Heritage Hero Awards, which reward the best of the best across Heritage. A total of 899 Heritage Heroes awards were presented during the year.

TRAINING AND DEVELOPMENT

We are committed to helping members of the Heritage team develop their careers. All staff have



40%
OF THE SENIOR
MANAGEMENT TEAM
IS FEMALE



2,117
eCARDS SENT IN 2020/21



899
HERITAGE HEROES
AWARDS PRESENTED
DURING THE YEAR



286
INSTRUCTOR-LED
ZOOM TRAINING SESSIONS
WERE HELD OVER THE YEAR

Our People continued...

access to an online Learning Portal, which provides a range of training, eLearning courses and videos. Our in-house trainers also provide a range of courses on various subjects over Zoom rather than face-to-face due to COVID. A total of 286 instructor-led Zoom training sessions were held over the year, while a substantial 25,600 eLearning courses were also completed by staff. Our commitment to developing the careers of staff was evident with the 36 in-house permanent promotions and 50 temporary promotions earned during 2020/21.

ACHIEVING HIGHER QUALIFICATIONS AT HERITAGE BANK

Heritage offers a range of ways through which staff members can gain qualifications. The USQ-Heritage Pathways program is a partnership between USQ and Heritage that enables staff members to fast track a number of programs with USQ, based on their Heritage qualifications. All Heritage staff members are eligible for direct entry application into Bachelor Programs, and staff who have completed a Heritage qualification are eligible for elective exemptions. Staff at senior manager level and above are able to participate in Post Graduate Programs. On top of this, Heritage is a Registered Training Organisation (RTO) and gives staff the opportunity to complete a Certificate IV in Banking Services, with 22 staff earning the Certificate

IV in Banking Services qualification during 2020/21. Study assistance is available to staff and can include study leave, exam leave and financial assistance.

OUR SHOUT

In 2020/21, Heritage launched its “Our Shout” Workplace Giving Program. Our Shout gives Heritage’s employees the chance to make a regular payroll donation direct to the Heritage Bank Charitable Foundation. The program fits perfectly with the Heritage culture of putting people first, with all donations directly assisting the Foundation in its work to support those in need in our communities. To help launch the Our Shout program, Heritage announced it would triple all donations from staff to the Foundation in the period from March to June 2021.

In 2020/21, our Workplace Giving staff participation increased by 60%, with around 10% of staff members now making regular contributions. That compares to an industry average of around 6%. The average yearly donation per staff member was \$264, higher than the industry average of around \$200. Altogether, the Our Shout program raised \$45,450 across the year, including both staff donations and matching contributions from Heritage.



Staff from our Sydney branches celebrate International Women’s Day.

Our Planet

WE'RE SUPPORTING RENEWABLE ENERGY

Heritage Bank's Head Office complex in Toowoomba is now running on 100% renewable energy. We signed up to Ergon Energy's Clean Energy Program this year to run the multi-level office complex on Ruthven Street. Under the program, Heritage pays a slightly higher premium on its power bill for Head Office, which enables Ergon to purchase more renewable energy certificates from renewable energy generators. Our Head Office complex uses about 1.5 million kilowatt hours of electricity a year. Generating this amount of electricity through renewable sources rather than fossil fuels will save around 1200 tonnes of carbon dioxide from going into the atmosphere. That's the equivalent of taking 260 cars off the road. The Clean Energy Program is fully accredited by GreenPower, the government program that sets accreditation and reporting standards for renewable energy products in Australia.

WE'RE REDUCING THE ENVIRONMENTAL IMPACTS OF OUR OPERATIONS

Heritage undertook a number of initiatives to reduce the environmental impact of our assets and operations.

- **Recycling and reducing waste:** Heritage utilises weekly recycling bin collection to encourage increased staff use and awareness of recycling bins.
- **Fleet:** Heritage only uses fuel-efficient vehicles in our fleet and no longer includes larger vehicles. This saw our fuel consumption reduce by 3% in 2020/21.
- **Contract renewals:** Heritage's Facilities department takes greater consideration of contractors' environmental credentials as part of tender documentation for new contracts.
- **Plastics:** Heritage no longer allows single use plastics to be purchased from our stationery supply company.
- **Air-conditioning replacement:** Heritage continues to upgrade air-conditioning units at its Head Office with more energy efficient replacements.
- **Reduced electricity usage:** In the 2020/21 year, we reduced our annual electricity usage at our Toowoomba Head Office by 6.4%.
- **LED lighting:** The majority of branches and a significant proportion of areas in Head Office use LED lighting, which uses less electricity than other types of lighting.

WE'RE BECOMING MORE DIGITISED

Heritage has undertaken a number of actions to reduce paper waste and transition to digital operations:

- All publications are available on our website and electronically via email upon request
- Increased member communications sent via email and SMS, instead of letters where possible
- Staff emphasis on ensuring members' details are up-to-date – including our "Update your details" campaign – and encouraging members to convert to eStatements
- Removal of all printed brochures from a number of branches excluding compliance brochures
- Regular brochure and publication review including content and usage. We have consolidated a number of publications into a smaller number, grouping related information together where possible
- Brochure kiosks available within a number of our transformed branches where customers can view and email brochures to themselves
- We now have 196,332 members signed up to receive eStatements rather than paper statements. This includes 30,000 who signed up during 2020/21.
- These measures helped us reduce our paper usage by a significant 16.7% in 2020/21, or about 800,000 pages from the previous year.

ELECTRICITY CONSUMPTION kWh (Head Office)

FY 2018/19:	2,802,830
FY 2019/20:	2,735,403
FY 2020/21:	2,560,731

FUEL CONSUMPTION HERITAGE VEHICLES (Litres)

FY 2018/19:	133,027
FY 2019/20:	133,180
FY 2020/21:	129,212

PAPER CONSUMPTION (Reams)

FY 2018/19:	10,189
FY 2019/20:	9,619
FY 2020/21:	8,013



6.4%

REDUCTION IN ANNUAL ELECTRICITY USAGE AT HEAD OFFICE



196,332

MEMBERS RECEIVE eSTATEMENTS RATHER THAN PAPER



3%

REDUCTION IN FUEL CONSUMPTION



16.7%

REDUCTION IN PAPER USAGE

Our Community

As a customer-owned bank, Heritage has a long history of embedding community-minded outcomes in our objectives. The profits we make are used to support our members and the communities they live in. Our goal is to make a positive impact to the community, nurturing growth through a diverse range of initiatives.



TOTAL COMMUNITY
INVESTMENT

\$6.708
MILLION



Heritage CEO Peter Lock and OzHarvest Queensland Manager Anthony Dunne launch our new sponsorship agreement

This means:

- We invest in the economic development of local communities in which we operate.
- We invest in the social infrastructure to improve the lives of people within the communities in which we operate.
- We develop shared value models that allow local communities to share in our financial success.
- We partner with governments and other organisations to support community growth.

GIVING BACK TO THE COMMUNITY

As a customer-owned bank, giving back to the community is embedded in Heritage's DNA. We do that in many ways, including direct donations and sponsorship contributions, and in-kind support.

In 2020/21, the value of our total community investment amounted to \$6.708 million.

HELPING HANDS SPONSORSHIP STRATEGY

We adopted a new approach to our sponsorship program this year, unifying all our activities under the over-arching theme of "Helping Hands". Heritage has long been renowned for its support of many events and causes across the communities it serves, but this support has been provided without an overall coordinating purpose. The new approach to sponsorship activities ensures that Heritage's support goes to those people in our society most in need of a "helping hand".

OZHARVEST PARTNERSHIP

In December 2020, Heritage Bank launched a new national partnership with leading food rescue organisation OzHarvest. Our partnership supports OzHarvest's national food rescue operations, helping to deliver an additional 200,000 meals a year, which equates to saving nearly 70,000 kilograms of food from landfill, and preventing 140,000 kilograms of greenhouse emissions being released into the atmosphere.



Staff members pack bags of food collected by the Loads of Love Appeal in Toowoomba



Announcing the Peter Cleary Memorial Scholarship are (from left) Marie Cleary, USQ Vice-Chancellor Professor Geraldine Mackenzie, and Heritage CEO Peter Lock.

HERITAGE BANK PETER CLEARY MEMORIAL SCHOLARSHIP AT USQ

In 2020/21 we announced a partnership with the University of Southern Queensland (USQ) to establish the Heritage Bank Peter Cleary Memorial Scholarship, in honour of our much loved former Chief Financial Officer. The scholarship assists a second-year student from rural or remote Queensland area doing a business or commerce degree at USQ. Heritage will donate \$100,000 to help establish the endowment fund over the next three years. USQ will donate \$200,000 in that time, bringing the total in the endowment fund to \$300,000. That fund will finance the annual scholarship in perpetuity.

HERITAGE BANK CHARITY GOLF DAY

Helping young people living on the streets, and encouraging children with autism to play and learn, are just two of the projects made possible thanks to the \$65,000 raised at the 2020 Heritage Bank Charity Golf Day. Eight deserving community organisations shared in the funds raised by the Golf Day, which is organised by a volunteer committee of Heritage staff members. The Heritage Bank Charity Golf Day has now been running for 23 years and in that time has raised more than \$930,000 for donation to around 120 amazing community groups across south-east Queensland. The monumental figure of \$1 million in total funds raised is now within reach at the 2021 event.



CEO Peter Lock presents grants totalling \$65,000 to beneficiaries of the 2020 Heritage Bank Charity Golf Day

Our Community continued...

LOADS OF LOVE

Heritage was again a proud supporter of the Loads of Love appeal in 2020, with our staff and members showing their generosity to assist families in need at Christmas. Heritage was again a collection point for bags of non-perishable food and personal items as part of Lifeline Darling Downs' Loads of Love Appeal. Heritage collected 6,578kg of contributions during the 2020 appeal, which accounted for 23.4% of all donations made to help families enjoy a brighter Christmas. That equated to about 550 bags of food, which went to more than 200 households in need, helping put food on tables and smiles on faces at Christmas.

COMMUNITY BRANCH MODEL

Heritage is particularly proud of our Community Branch model and the significant contribution they make to their communities. We have seven Community Branches – at Forest Lake, Karalee, Nanango, Millmerran, Palmwoods, Highfields and Crows Nest. They operate on a partnership model, as joint ventures between Heritage and a community company with local representation. Under the model, half the profits are given to the community company to provide grants for worthwhile local organisations and causes. These Community Branches have cumulatively injected a total of \$50 million back into their local communities since the first opened at Crows Nest in 1999. This figure is made up of community grants, sponsorships, wages, rent, payments for services such as a cleaning, and other costs.

REGIONAL AUSTRALIA INSTITUTE

Heritage threw its support behind the push to promote life outside the major cities in 2020/21 by becoming a founding member of the Regional Activators Alliance (RAA), a new group formed specifically to drive population growth in regional Australia.

The RAA comprises around 40 organisations from across the country. These include local councils, Regional Development Australia regions (RDAs), economic development groups and industry representatives including Heritage Bank.

One of the positives to emerge from COVID has been a surge of interest in living outside our capital cities, recognising that regional lifestyles have a lot to offer. As a significant business that's headquartered in regional Australia, Heritage believes it is able to make a unique contribution to the RAA campaign, and support the push to attract more people to take up the fantastic opportunities available in regional Australia.

PAYMENT TIMES FOR SMALL BUSINESSES

The Australian Government recently established the Payment Times Reporting Scheme, effective from 1 January 2021, as a way to improve payment times for Australian small businesses. The Scheme requires larger businesses to report on the length of time taken to make payments owing to small businesses.

Heritage appreciates how important it is for small businesses to have their invoices paid promptly, with cash flow so crucial to their ongoing success. We also understand how important small businesses are to the strength and prosperity of the communities we serve. That's why we ensure payments are made to small business swiftly.

Heritage is happy to report that in the six months to end of June 2021:

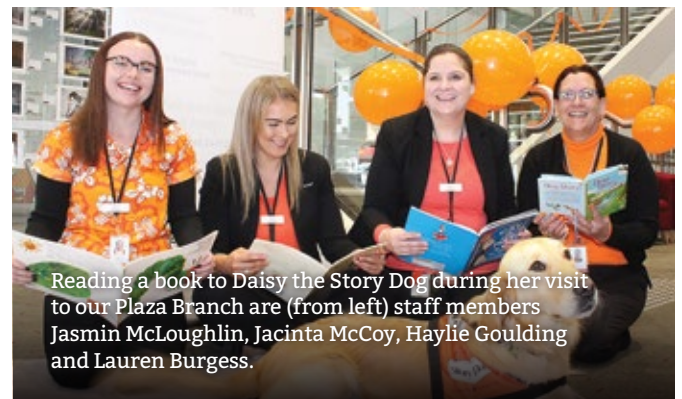
- 87.2% of small business invoices were paid in less than 21 days.
- 12.6% were paid within 21-30 days.
- The most common payment term for small businesses was seven days.



Heritage Palmwoods Community Branch gave out \$96,000 to local groups in its annual grants presentation evening.



Heritage Chairman Kerry Betros unveils the painting of 2021 Heritage Calendar House "The Manse" in Ipswich, with owners Andrea and Peter Fernando.



Reading a book to Daisy the Story Dog during her visit to our Plaza Branch are (from left) staff members Jasmin McLoughlin, Jacinta McCoy, Haylie Goulding and Lauren Burgess.

Supporting the Woolworths Organic Growth Fund



HERITAGE BANK CONTINUES TO PARTNER WITH WOOLWORTHS AS THE FINANCIAL ADMINISTRATOR FOR THE WOOLWORTHS ORGANIC GROWTH FUND.

The Woolworths Organic Growth Fund will provide up to \$30 million in grants and interest-free loans to help grow Australia's organic produce industry. The fund was established in 2018 with Heritage Bank, and 15 businesses have benefitted to date. Woolworths manages the Fund and is responsible for applicant selection. Successful applicants then enter into a funding agreement with Heritage, who administer the lending and financial aspects of the Fund's operations. Fund beneficiaries in 2020/21 were Red Plateau Organics and Bon Accord Organic Citrus who shared in grant funding of \$850,000.

Bon Accord Organic Citrus owners Will and Anna McLay.

Heritage Bank Charitable Foundation



The 2020/21 year was especially significant for the Heritage Bank Charitable Foundation, with the recipients of its first-ever round of grants announced in October 2020. Heritage Bank established the Foundation in 2018 as a way to harness the goodwill of its members and the communities they live in to magnify the bank's philanthropic activities.

Heritage kick-started the Foundation with a \$2 million donation and continues to support the organisation's running costs, so all public donations can be used to directly assist worthwhile charities. The Foundation's initial focus has been on building up the corpus it holds, to generate a sustainable income stream to fund annual grants to charitable organisations.

In early 2020, the Foundation reached a milestone when it opened applications for its first-ever round of grants. The recipients were announced in October, with a total of \$90,000 distributed, through nine grants of \$10,000 each.

The Foundation is extremely proud of the charities it supports, who are on the frontline helping build foundations for those in our community who need our support most. Together we're building educational foundations for at-risk children and teenagers, health care foundations for vulnerable Australians and their families, and supporting economic and social foundations for regional, rural and remote communities.

The nine grants given out have enabled:

- Wishlist to provide over 100 vulnerable children on the Sunshine Coast with a "kit for kids" backpack before they enter foster care.
- The Gold Coast Hospital Foundation to arrange 118 nights of emergency accommodation.
- 80 Western Sydney deaf children and their families to attend The Shepherd Centre's life-changing Kidscape program.
- 45 new Yalari indigenous school scholarship recipients.
- batyr to reach 8,807 young people to smash the stigma around mental health.
- 1,965 young kids in Sydney to attend Bravehearts Ditto Keep Safe presentation.
- St Andrew's Blush breast care nurses to support 72 women on their breast cancer journey.

The Foundation committed to support its amazing charity partners over a 12-month period with the aim of accessing the Heritage community to help them achieve their missions. Heritage Bank staff have been wonderful and have jumped at the opportunity to lend their support by volunteering, fundraising and participating in events.



Heritage Bank Charitable Foundation Executive Officer Paul Olds presents a \$10,000 grant to Claire Howden from Blush Cancer Care, one of nine recipients in the Foundation's inaugural grants round.



Heritage staff members volunteered to support the annual giving day run by Charitable Foundation grant recipient Wishlist to raise money for the Sunshine Coast Hospital and Health Service

Corporate Governance

1. OPERATING WITH GOOD GOVERNANCE

Heritage's Board and senior executives are committed to managing our business ethically and maintaining high standards of corporate governance.

THE BOARD OF DIRECTORS

Role of the Board

The Board has adopted a formal Board Charter setting out its roles and responsibilities. The Board's role is to provide leadership, strategic guidance and oversight of Heritage, including to:

- a. oversee and evaluate Heritage's strategies, policies and performance;
- b. oversee Heritage's performance to build sustainable value for members within a framework of prudent and effective controls that enable risks (including financial risks as well as misconduct, compliance and other non-financial risks) to be assessed and managed;
- c. oversee Heritage's values, including the establishment of a sound risk management and compliance culture; and
- d. adopt and implement an appropriate governance framework for Heritage.

Relationship with Management

The Board has delegated responsibility for the operation and management of Heritage to the CEO, subject to the overall supervision of the Board. The CEO is responsible for managing the day-to-day operations and management of Heritage. The CEO provides input and recommendations on strategic direction and has authority for implementing the approved strategic plan of Heritage in accordance with the decisions of the Board.

The CEO leads the senior executives, who meet regularly to review and report on Heritage's business activities including its operations, financial performance and general strategic direction.

Board Composition

The Constitution of Heritage provides that the number of directors shall be between three and 12 and, in addition, may include not more than one employee director. Currently the Board is comprised of six independent non-executive directors. There is no employee director.

One-third of the elected directors must retire from office at each Annual General Meeting. A director must retire from office no later than the third Annual General Meeting after the director was last elected.

The Board periodically considers succession planning of directors and the CEO and in conjunction with the CEO considers succession planning for the senior executives.

Board Independence

In assessing the independence of each director, the Board considers whether he or she has any relationships that would materially affect their ability to exercise unfettered and independent judgment in the interests of Heritage and its members. In this regard, and more broadly, Heritage complies with APRA Prudential Standard CPS 510: Governance.

Board Changes

There was one change to the Board composition in 2020/21. Mr David Thorpe stood down from the Board in April 2021, after nine years as a director. Mr Thorpe served on the Board's Finance Committee and Audit Committee, and had been Chair of the Risk and Compliance Committee since 2014. He brought a wealth of experience in the finance industry to his role at Heritage, having previously been Chief Executive Officer of the Queensland Association of Permanent Building Societies for over 20 years as well as holding executive positions in both the private and public sector.

Conflicts of Interest

In accordance with the Corporations Act 2001 (Cth) and Heritage's Constitution, directors must keep the Board advised of any interest that could potentially conflict with the interests of Heritage.

The Board has a policy to assist directors in disclosing material conflicts of interest. Transactions between non-executive directors and Heritage are subject to the same terms and conditions that apply to members. Senior executives, company secretaries and other key employees are also required to declare any material interests that could potentially conflict with the interests of Heritage.

Board Performance Assessment

The Board is committed to continuous improvement and is subject to ongoing assessment and an annual internal formal evaluation process of the Board, Board Committees and the individual directors. Heritage complies with APRA Prudential Standard CPS 520: Fit and Proper which requires that those responsible (Responsible Persons) for the management and oversight of an authorised deposit-taking institution have the appropriate skills, experience and knowledge and that they act with honesty and integrity.

The fitness and propriety of Responsible Persons must generally be assessed prior to their initial appointment and then re-assessed annually. Responsible Persons include all directors, senior executives, the company secretary and other key employees.

Board Processes

The Board currently holds 11 scheduled meetings each year, plus any other meetings that may be required from time to time.

Board Committees

To assist in executing its responsibilities the Board has established the following Committees:

Corporate Governance continued...

- Audit Committee
- Technology Committee
- Risk and Compliance Committee
- Remuneration and Nominations Committee

The roles and responsibilities and current membership of each of these Committees is shown in the table below.

Each Committee operates under its own charter that is reviewed regularly.

The Board may establish other committees or change the committee structure from time to time as the circumstances require. All Board Committee Charters allow them to have access to advice from external advisers, with or without management present, as required.

	Audit Committee	Technology Committee	Risk and Compliance Committee	Remuneration and Nominations Committee
Roles and Responsibilities	Oversight of APRA statutory reporting requirements, financial reporting requirements, professional accounting requirements, internal audit and external audit.	Oversight of the effectiveness of Heritage's technology, strategies, priorities, risks, expenditure and regulatory issues relating to technology.	Oversight of the implementation and operation of the Bank's risk management and compliance frameworks.	Oversight of remuneration policies and strategies, reviewing and considering the composition of the Board and making recommendations regarding appointments, retirements and terms of Directors.
Current Membership	Brendan Baulch – Chairman Stephen Davis Wendy Machin Kerry Betros (ex officio)	Dennis Campbell – Chairman Stephen Davis Peter Clare Kerry Betros (ex officio) Gerard O'Hara (independent member)	Peter Clare – Chairman Dennis Campbell Brendan Baulch Wendy Machin Kerry Betros (ex officio)	Kerry Betros – Chairman Dennis Campbell Wendy Machin

Details of the members of each Committee, and attendance at Committee meetings during the reporting period, are set out in the Directors' Report on pages 2 and 3 (respectively) of Heritage's 2020/21 Financial Report.

Continuing Education

All directors are encouraged and assisted to attend educational courses that serve to enhance their performance as directors. Membership of the Australian Institute of Company Directors (AICD) is paid for by Heritage and directors are actively encouraged to participate in courses offered by the AICD and other providers.

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

All directors, senior executives and other employees are expected to conduct themselves with the highest ethical standards of corporate behaviour whenever they are engaged in Heritage's business. In this regard, the directors have adopted a Director Code of Conduct, and Heritage has also adopted an Employee Code of Conduct, which outlines the principles and standards with which all employees are required to comply in the performance of their respective duties.

COMMUNICATION

Regular Communication

Customers have access to information about Heritage through the publication of the Member Report, the Financial Report, the Chairman's and CEO's addresses at the Annual General Meeting, and through the release of other important announcements to the media generally and on Heritage's website. Copies of public announcements and Heritage's Member Report and Financial Report are posted on Heritage's website and are made available to the media.

Annual General Meeting

Heritage's members have the opportunity to raise matters with the Board at the Annual General Meeting, generally held in October each year. Heritage's current external auditor attends the Annual General Meeting and is available to answer questions on the conduct of the audit and the contents of the auditor's report, the auditor's independence and any accounting practices employed by Heritage in preparing the financial statements.

Website

Information about the Board, senior executives and the Constitution can be found on Heritage's website under the heading "About".

RISK MANAGEMENT

Risk Management Approach

Heritage is committed to implementing appropriate strategies and processes that identify, analyse and manage the risks associated with its activities as a means of realising opportunities and minimising the impact of undesired and unexpected events on its business activities. Heritage has adopted an integrated approach to risk management which meets the international standard ISO 31000 Risk Management. Heritage has an appointed Chief Risk Officer and is compliant with APRA Prudential Standards CPS 220: Risk Management and APS 310: Audit & Related Matters.

Internal Audit

Heritage's Internal Audit function supports the Board by providing certain assurance services. Heritage's internal audit plan is approved by the Audit Committee. The Head of Internal Audit reports to the Chairman of the Audit Committee and to the CEO for day-to-day operational issues as appropriate. The Head of Internal Audit has unfettered access to the Chairman of the Board and the whole Board if required. The Internal Audit function is governed by an Internal Audit Charter.

External Auditor

Heritage's current independent external auditor is KPMG. The key partner representatives are refreshed periodically in accordance with APRA's prudential standards. The external auditor has access to the Audit Committee and the Board through the Chairman of the Board.

Statement by CEO and CFO

Prior to the Board approving the annual financial report, the CEO and the Chief Financial Officer are required to state in writing that Heritage's financial report presents a true and fair view, in all material respects, of Heritage's financial position and operating results and is compliant with the relevant accounting standards.

Privacy

Heritage is committed to the protection of its members' and customers' personal information and Heritage's Privacy Policy is available on Heritage's website.

Diversity

Heritage strives to provide a workplace that promotes gender equality and diversity. You can read the report Heritage submitted to the Workplace Gender Equality Agency as required under the Workplace Gender Equality Act on our website at www.heritage.com.au/about/careers.

CORPORATE GOVERNANCE STATEMENT

A full Corporate Governance Statement has been included in Heritage's 2020/21 Financial Report, which can be found on our website.

BALANCED SCORECARD

Heritage has adopted a Balanced Scorecard as a way of evaluating the performance of our organisation as a whole, and the performance of our Senior Executive Group members. Heritage fully understands that measuring performance purely on financial metrics provides an incomplete picture. As a customer-owned bank, Heritage is not out to maximise profits at all costs – rather, our primary goal is to serve our members. We do that not only by ensuring that Heritage remains strong financially, but also by delivering against other metrics.

Our Balanced Scorecard is tied to our four key strategic objectives and includes key result indicators that measure how well we are performing in meeting the overall expectations of our members. The Balanced Scorecard as at 30 June 2021 included the following measures and our ratings for how well we have delivered against them:

BALANCED SCORECARD			
CATEGORY	KEY RESULT AREA	KEY RESULT INDICATOR	RATING
Financial Strength	Build a Bank to be Proud of	Operating Profit before Tax	Green
		Cost to income %	Green
		After tax return/retained profits	Green
Member	Build and Maintain existing members	Customer Satisfaction	Yellow
		Active Member Value	Green
Growth	Attract and Grow new members	Active Membership Growth	Green
		Net Loan Growth	Green
People	Attract and Grow passionate people	Positive Engagement Score	Green
		Women in top 100 roles	Red
Individual Element	Leading Growth	<ul style="list-style-type: none"> Performance to Budget Effective Management of HR metrics Effective Management of Risk and Compliance Issues Delivery of Business Plan initiatives 	(Each senior executive rated individually)

Focus on Enterprise Risk

Maintaining formal and systematic approaches to managing risk at Heritage Bank is more than simply prudent business practice but is also a core regulatory obligation necessary to maintain our authorisation under the Banking Act and our AFS and Credit Licensee status.

Heritage Bank operates a “Three Lines of Defence” model where each “line” has a different role to play when it comes to risk management within the business. The key elements of the model are summarised below:

1 LoD	Business Functions	As the 'First Line of Defence', business and operational management have primary ownership, responsibility and accountability for identifying, assessing and controlling material risks associated with their operations. The First Line 'owns' relevant risks and retains lead responsibility for the design and execution of agreed controls to manage those risks.
2 LoD	Risk and Compliance Management Functions	Functionally separate to the first line and under the direction and control of the Chief Risk Officer (CRO). Support the business by providing risk and compliance management support, monitoring, oversight and challenge to better ensure that risks and corresponding controls are effectively identified and managed.
3 LoD	Internal Audit	Provides independent and objective assurance to senior management and the Board in relation to the effectiveness of the Risk Management Framework including its implementation by the first and second lines. Primary reporting line to the Board. Operates as an assurance, rather than management function, which separates it from the second line.

Heritage has in place a well-defined Risk Management Framework that includes a Risk Management Strategy, a Risk Appetite Statement, and supporting systems, policies and people, to achieve the following:

- Embedding risk based decision making at all levels of the Bank;
- Providing an enterprise approach to risk management that allows for an aggregate view of risk across the Bank;
- Reducing or avoiding unnecessary risks;
- Ensuring compliance with relevant standards and laws;
- Facilitating timely and positive assurance that risks are being effectively managed;
- Promoting a positive risk management culture including both awareness and behaviours; and
- Clearly articulating and assigning accountabilities and responsibilities.

Heritage has invested significantly in improving its Enterprise Risk function in recent years. The Enterprise Risk team has grown in size from three people to 15 people since 2015, including the appointment of Heritage’s first dedicated Chief Risk Officer in 2018.

We took significant steps forward in strengthening the Enterprise Risk function in 2020/21, including the following:

- Appointed six new FTE Risk Advisors in Line 1
- Launched new Operational Risk Framework
- Invested \$7 million in Risk and Regulatory Compliance projects
- Implemented risk training for Risk Advisors
- Developed first-ever aggregated Heritage Bank Risk Profile and presented to Board
- Established and began implementing AML/CTF Uplift Program
- Developed a Credit Risk Management Framework
- Developed and rolled out our new Business Banking Policy
- Established our new governance framework over Pre-Paid Cards
- Implemented Executive and Senior Management Bi-annual attestations.

STAFF RISK CULTURE SURVEY RESULTS	
Year	Result
2019	67.5% positive
2020	69.5% positive
2021	73.7% positive

The Board



MR KERRY J. BETROS AM
BBus, HonDBus USQ,
FCPA, MAICD
Chairman

Mr Betros has been a Director of Heritage since 1991. He was appointed to the role of Deputy Chairman in 2011 and became Chairman of Directors in June 2012. He was the inaugural Chairman of Heritage's Finance Committee, Chairman of the Audit Committee and has served on a number of other committees. He is currently Chairman of the Remuneration and Nominations Committee and an ex-officio member on all Board Committees. Mr Betros is Managing Director of Betros Bros Holdings Pty Ltd and associated companies, Darling Downs based wholesalers and retailers, established in 1938. He graduated from DDIAE (now USQ) with a Bachelor of Business majoring in management and accounting and was awarded the College Medal. He is a Fellow of CPA Australia. For his distinguished service to the community Mr Betros has been awarded the Centenary of Federation Medal and in 2019 received an Honorary Award of Doctor of Business from the University of Southern Queensland for his distinguished career and significant achievement in business, commerce and management. In 2021, Mr Betros also received one of Australia's highest honours when he was appointed a Member of the Order of Australia (AM). Mr Betros has served on various Boards and been involved with many charitable, community and sporting organisations, including as a Director of St Vincent's Private Hospital.



DR DENNIS P. CAMPBELL
PhD, MBA, FCHSE,
CHE, FAIM, GAICD
Deputy Chairman

Dr Campbell was previously a Chief Executive Officer in both the public and private health sectors. He held the position of CEO at St Vincent's Hospital, Toowoomba for 10 years. He also served as a Corporate Director with Legal Aid, Queensland for 10 years. He serves as a member of numerous Boards and Advisory Committees, representing both public and private health sectors and has legal and health qualifications. Dr Campbell joined the Heritage Bank Board in 2000 and became Chairman of the Technology Committee when it was formed in 2018 and is a member of the Remuneration and Nominations Committee and Risk and Compliance Committee.

He also serves as a trustee of the Queensland Museum Foundation, is Chairperson of the Friends Executive Committee of the Cobb & Co Museum, Toowoomba and is Deputy Chairman of the Darling Downs Hospital and Health Board. In 2007, he was awarded an Australia Day Medallion for his services to the Australian College of Health Service Executives. In 2008, he was awarded the Gold Medal for Leadership and Achievement in Health Services Management recognising his contribution and professional achievements in shaping health care policy at the institutional, state and national levels. Dr Campbell was appointed Deputy Chairman of Heritage on 21 June 2012



MR BRENDAN P. BAULCH
BCom, LLB, CA, MAICD

Mr Baulch is a Chartered Accountant based in Toowoomba. He began his career with PriceWaterhouse in their corporate tax division in Melbourne, after which he spent a total of eight years in London, gaining international accounting experience in a range of business sectors including telecommunications (Cable & Wireless plc), investment banking (Société Générale) and insurance (Lloyd's of London). He is currently the principal of Baulch & Associates, a Toowoomba-based accounting practice providing taxation, audit and management accounting services. Mr Baulch is a registered tax agent and a registered company auditor. He was appointed a Director in 2007, has been a member of the Audit Committee and was appointed Chairman of the Audit Committee on 1 July 2011. He is also a member of the Risk and Compliance Committee.



MR PETER CLARE
B.Com, MBA, FCPA, MAICD

Mr Peter Clare joined the Heritage Board in April 2020. He is the Chairman of the Risk and Compliance Committee and a member of the Technology Committee. Mr Clare boasts an exceptional banking resume and wide industry experience. He began his career as an Insolvency Practitioner with firms BO Smith and Son, Howarth and Howarth, and Ferrier Hodgson. After moving into banking, Mr Clare held senior roles at Commonwealth Bank, and served on the senior executive leadership teams at both St George and Westpac. That

included a two-and-a-half year period up to 2014 as the CEO of Westpac New Zealand. In recent years, he has served on a variety of boards in the technology and finance industries in Australia. Mr Clare holds a Bachelor of Commerce from the University of New South Wales and an MBA from Macquarie University.



MR STEPHEN DAVIS
AAPI, MAICD

Mr Davis is a registered valuer and previously a licensed auctioneer and real estate agent. He is also the Managing Director of Australian Strata Title Services Pty Ltd trading as Toowoomba Body Corporate Management. Mr Davis has been involved in community organisations and is currently the Deputy Chairman and Treasurer of the Toowoomba Hospice Association. Mr Davis was appointed to the Heritage Bank Board on 1 July 2011 and is a member of the Audit and Technology Committees. Mr Davis was appointed as an inaugural Director of Heritage Bank Charitable Foundation from 2018.



MS WENDY MACHIN
B.A. (Communication),
M.Com, GAICD

Ms Machin was appointed to the Heritage Bank Board in March 2019. She is a member of the Risk and Compliance, Audit and Remuneration and Nominations Committees. She has extensive experience in the financial services sector, the member-owned sector and in the political and regulatory realm. Ms Machin spent four years as Chair of the Customer Owned Banking Association (COBA), the peak body for customer-owned financial institutions in this country. She is currently Chair of Reflections Holiday Parks and the NSW Government Road Reclassification and Transfer Review. She is a Director of Golf Australia and Vice Chairman of the NSW Nationals. She has previously been the President and Chair of the NRMA; a Director of Destination NSW, Chair of ANCAP, Director of the NSW Forestry Corporation, a Director of the Australian Automobile Association and the National Occupation Licensing Authority; as well as spending 11 years as a Member of the NSW Legislative Assembly, including a period as Minister for Consumer Affairs.

Senior Executive Group



MR PETER LOCK
BBus, MBA,
GradDipAppFin,
SF FIN, GAICD
Chief Executive Officer

Mr Peter Lock has more than 35 years' experience in the financial services industry spanning insurance, institutional banking, business development, business banking and corporate banking. He has held senior management roles at the Bank of Melbourne, St George Bank, and the Commonwealth Bank, following a career with the National Australia Bank. Mr Lock is a Senior Fellow of the Financial Services Institute of Australasia, and a Graduate Member of the Australian Institute of Company Directors. Mr Lock holds a Bachelor of Business and Master of Business Administration from the University of South Australia, and a Graduate Diploma in Applied Finance from the Finance and Securities Institute of Australia. He is also a Board member of the Customer Owned Banking Association (COBA) and the Business Council of Cooperatives and Mutuals (BCCM).



MS MARGO DEWAR
BBus (Marketing and HR),
MBA
Chief People Officer

Ms Dewar joined Heritage Bank in 2009 and has over 17 years' experience in human resources. She was appointed Chief People Officer in March 2019 and is responsible for the bank's overall human resources strategy, leading this function across recruitment, learning and development, employee relations, health and safety, organisational development and change management. Ms Dewar holds a Master's degree from the University of Southern Queensland and a Bachelor of Business (Human Resources) from Queensland University of Technology.



MR DAN DREDGE
BCom, BEc, MBA, GAICD
Chief Operating Officer

Mr Dan Dredge joined Heritage in 2018 as Head of Corporate Development before moving into the role of Chief Operating Officer in April 2020. He has over 18 years' experience in the finance industry across banking and insurance. Mr Dredge holds a Bachelor of Commerce, Bachelor of Economics and an MBA from University of Queensland.



MR WAYNE MARCHANT
MMgt(InfoTech)
MACS, MAICD
Chief Information Officer

Mr Wayne Marchant was appointed Chief Information Officer in December 2016 after initially joining the Bank as Interim CIO, consulting to Heritage through 451 Consulting. Mr Marchant has more than 26 years in IT management across large and medium businesses in a diverse range of industry sectors.



MR STEPHEN OWENS
MBA, GradDip(Mgt),
GAICD, MIAA
Chief Risk Officer

Mr Stephen Owens re-joined Heritage in June 2019 as the Head of Risk and Compliance, before taking on the Chief Risk Officer role in April 2020. Mr Owens is responsible for developing appropriate frameworks and overseeing Heritage's approach to credit, financial and operational risk, and regulatory compliance. He holds a Bachelor's degree in Management and an MBA in Business Administration.



MR KEVIN POTTER
BA, GradDip(Bus)
AMP (Harvard)
Chief Customer Officer

Mr Kevin Potter joined Heritage in March 2017 as Chief Operating Officer before moving into the role of Chief Customer Officer in April 2018. As Chief Customer Officer, Mr Potter is responsible for the customer facing aspects of business through Heritage's retail branches including the community branch model, business banking, customer contact centre, and broker distribution channel.



MR DARREN STEPHENS
GradDip
(Workplace Relations)
Chief Transformation
Officer

Mr Stephens joined Heritage in December 2016 as Chief People Officer before moving into the role of Chief Transformation Officer in March 2019. He is responsible for fast tracking key projects to transform the way Heritage operates to accelerate its goal of becoming a digital bank with a physical presence.



MR PAUL WILLIAMS
BA MA (Cantab) MBA
GradDipAppFin
Chief Financial Officer

Mr Paul Williams joined Heritage in 2000 and since that time has had a number of leadership positions across Finance and Strategy. He has been Heritage's Chief Financial Officer since September 2016. In this role Paul is responsible for financial accounting, analysis and reporting, business intelligence and data governance, capital markets and financial risk management activities. Mr Williams has more than 25 years' experience in the finance and property industries having previously worked in Australia and South Africa for various banks as well as global advisory and commercial real estate services firms. He holds a Bachelor's degree from the University of Queensland, a Master's degree from the University of Cambridge in the UK, an MBA from the University of Southern Queensland and a Graduate Diploma in Applied Finance from the Finance and Securities Institute of Australia.

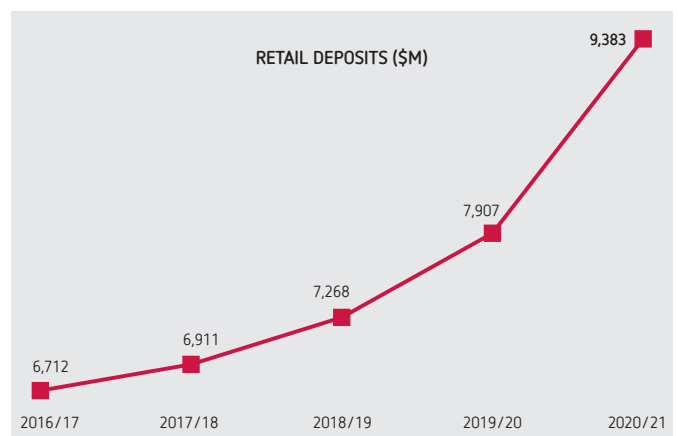
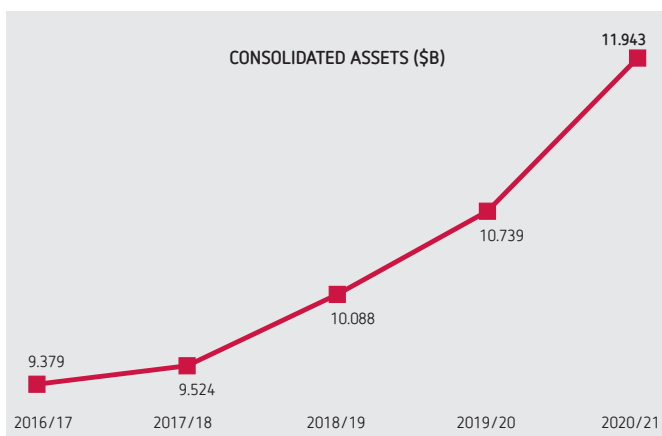
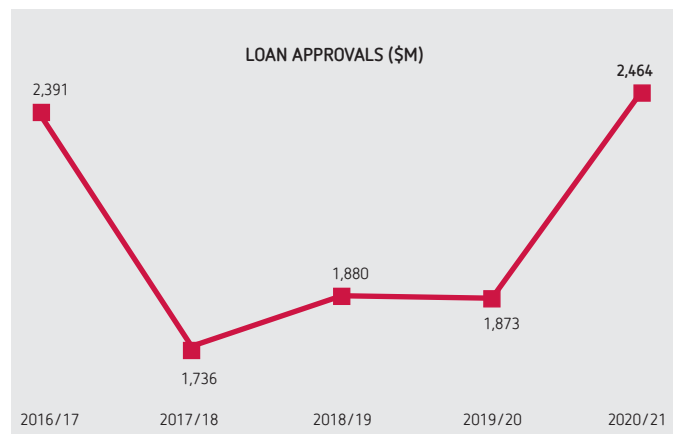
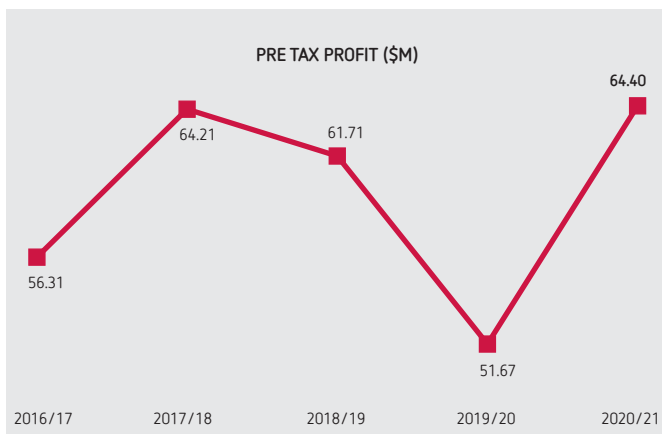
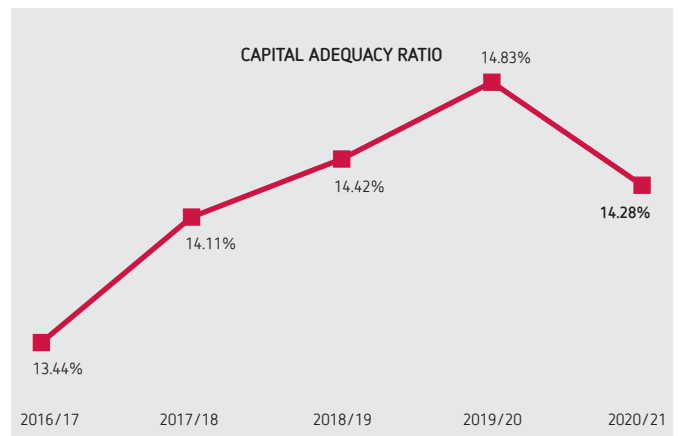


MR BENN WOGAN
BCom, LLB, MBA
General Counsel and
Company Secretary,

Mr Benn Wogan joined Heritage on a permanent basis in March 2018, prior to which he performed the Heritage General Counsel role on a secondment basis since September 2017. He previously held Legal Director and Senior Legal Counsel roles with PwC. He holds law and commerce degrees from the University of Canterbury (Christchurch, NZ) and a Masters of Business Administration from Macquarie Graduate School of Management.

Financial Highlights

	2021	2020
Profit before tax	\$64.396 million	\$51.672 million
Profit after tax	\$44.810 million	\$36.269 million
Loan approvals	\$2.464 billion	\$1.873 billion
Total consolidated assets	\$11.943 billion	\$10.739 billion
Capital adequacy	14.28%	14.83%
Liquidity	24.30%	18.01%
Mortgage loan arrears greater than 30 days	0.45%	0.40%



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