ANNUAL REPORT

AND SUSTAINABILITY UPDATE

2016
177,357

1996
84,432

UniBank

Teachers Mutual Bank
We put you first

OUR VISION

Teachers Mutual Bank will be the **‘first choice’** bank for all teachers and their families for all of their financial needs.

OUR MISSION STATEMENT

Teachers Mutual Bank Limited (TMBL) will grow its market share by primarily targeting the Australian education sector and niche markets in the professional and essential services sectors. TMBL will operate through a primarily digital, mobile and phone service operating model supported by some sales and service centres in selected regions. TMBL will build and nurture member focussed brands ethically, following sustainable business practices to provide the best financial products and services that will support and improve the financial well-being of all members. TMBL will operate in an ethically, socially and environmentally responsible manner and support appropriate community programs.

BRINGING MEMBERS HOME

3,871

HOME LOANS GRANTED THIS YEAR

OF WHICH

12%

WERE FIRST HOME BUYERS

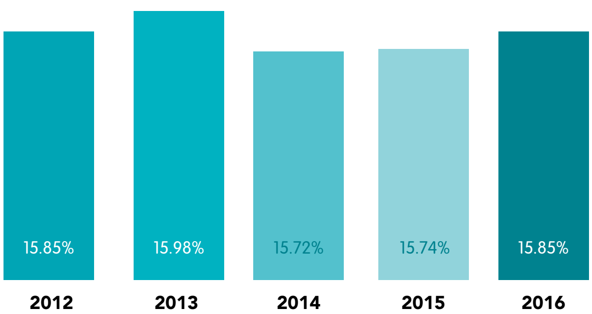
CONTENTS

KEY FINANCIAL PERFORMANCE[1]

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

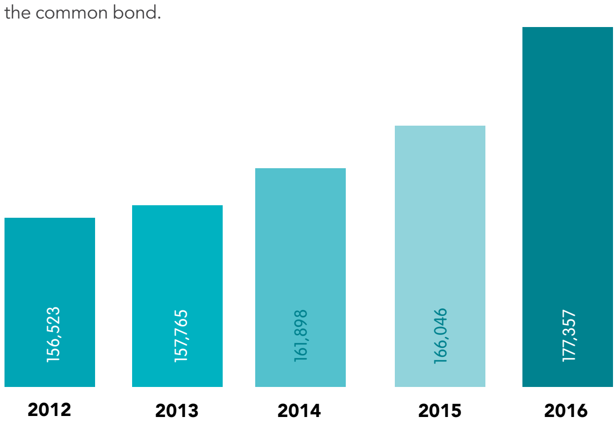
CAPITAL ADEQUACY RATIO

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



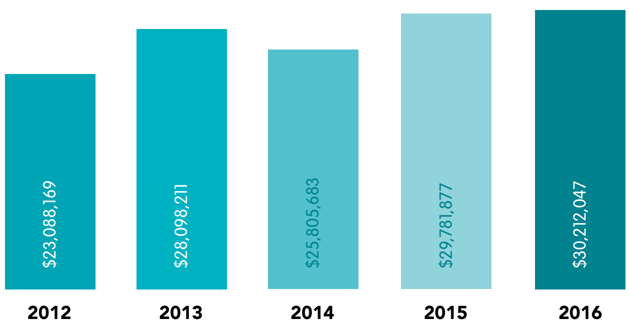
MEMBERSHIP

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



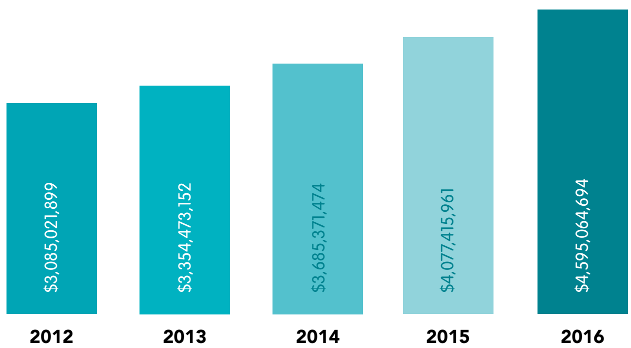
PROFIT AFTER INCOME TAX

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



LOAN BALANCES

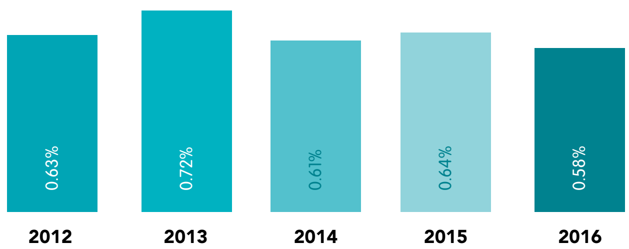
Loan balances is the total of money owed to us by our members from personal loans, secured (home) loans, credit cards and overdrafts.



1. Parent (Bank) - not consolidated group.

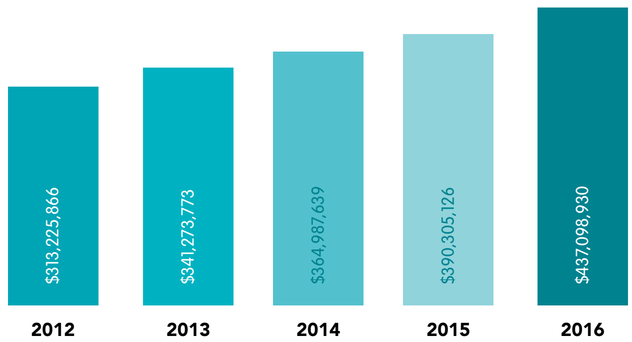
RETURN ON ASSETS

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



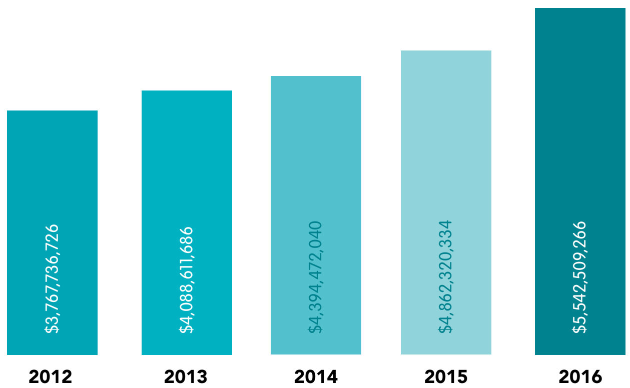
RESERVES

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



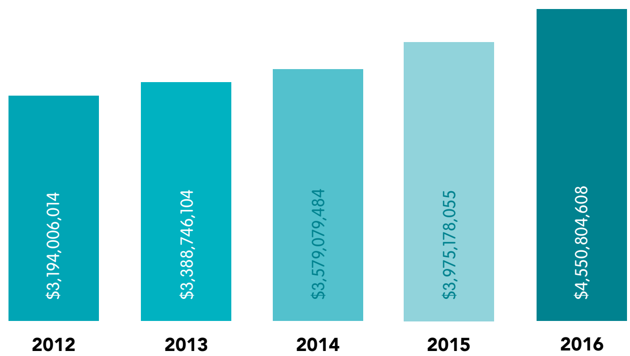
ASSETS

Assets are the total of all Teachers Mutual Bank assets.



MEMBER DEPOSITS

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



CHAIRPERSON AND CHIEF EXECUTIVE OFFICER'S REPORT

Teachers Mutual Bank reaches a significant milestone in 2016, as we celebrate 50 years of operation and serving the education community.

The dedicated group of teachers back in 1966 who established a credit union for teachers in a tennis shed in Hornsby, NSW could hardly have foreseen the large, leading mutual bank it has become in just 50 years.

Since our humble beginnings, we've grown from 29 members and $644 in deposits to over 177, 000 members and more than $5.5 billion in assets. We've also become an industry leader in customer service and ethical banking, and pioneered the remote service banking model via our mobile offices and home banking.

We are incredibly proud to celebrate our success that was borne out of a vision to give teachers and their families better financial options, and we recognise all those who, through their dedication and commitment, progressed the initial vision to where we are today.

We are pleased to report that we continued to thrive over the 2016 financial year, with results indicating that we are strengthening our presence in the financial sector. We achieved a healthy net profit of $30.3 million after tax, and maintained a high capital adequacy ratio at 15.85%, well above prudential requirements. Our capital reserves increased to stand at $437.1 million, and our asset base grew to $5.5 billion.

Our merger with WA's Unicredit, now known as UniBank, in August 2015 saw us welcome UniBank members and staff to our Teachers Mutual Bank family. As the mutual banking sector continues to consolidate, we will look for opportunities to partner with like-minded institutions, to build scale and financial strength.

In fact, at the time of going to print, we are working towards a merger with the NSW-based Fire Brigades Employees, Credit Union. This is expected to be confirmed in late 2016, subject to all appropriate approvals.

Our home loan portfolio grew to $4.3 billion, with our mobile lenders and home loan broker networks integral to expanding our highly competitive home loan products across Australia. Over the next year we will look to invest further resources to support and build our current network of 12 aggregators and 2,000 accredited brokers.

The 2015-2016 financial year saw another fall in interest rates, with increased political and regulatory focus on investor lending. The Australian Prudential Regulation Authority (APRA) required all financial institutions to limit their investment property lending growth to 10%. While we experienced strong demand for our investment home loan products, our priority was to manage the growth of this product in line with the regulator's expectations.

As a mutual bank we have always judged our success on the value we provide our members, in particular via our customer service.

This year we received industry recognition for our consistently high member satisfaction ratings by being awarded Roy Morgan's '2015 Bank of the Year'.

Our dedicated employees and the exemplary service they provide are the key to this incredible accolade, and we are extremely proud of them. We recognise that our employees are one of our greatest assets and that they have helped to shape the bank into the successful institution it is today.

We continued to focus on developing our social media presence to help our members interact with us in a way most convenient for them. This year we launched an Instagram channel to further our conversations with young Australians, and we are excited to be developing content especially for these members.

Supporting and investing in the communities we serve is one of our key values, and we are delighted to be associated with some exciting new projects in the coming year. As you'll see elsewhere in this Annual Report, a small team of staff visited Cambodia this year to learn firsthand the difference our Credit Union Foundation Australia (CUFA) contribution is making to school children in impoverished communities.

For 50 years we have been dedicated to one purpose – assisting our members build wealth and enjoy financial wellbeing throughout their lifetime.

Our members are the reason we exist, and we are honoured to serve you.

Thank you for continuing to choose Teachers Mutual Bank to provide your financial services – and here's to the next 50 years!

John Kouimanos
Chairperson

Steve James
Chief Executive Officer

95%

CUSTOMER SATISFACTION*

*ACCORDING TO ROY MORGAN RESEARCH

WE ARE IN STEP WITH YOUR NEEDS

We are committed to delivering competitive products and services that provide the best value to our members at every life stage.

With 50 years of experience serving employees in the education sector, we understand the unique financial needs associated with the industry and different life stages. Our banking products are carefully tailored to address these needs and ultimately to help our members to have a brighter financial future.

We are passionate about providing our members with consistently high-quality customer service across all of our channels. Our investment in new member-focused technologies and specialised employee training has helped us to maintain this strong service ethic.

As a bank for employees in the education sector, our goal is always to keep in step with member needs. This is demonstrated by the net and gross growth in our membership over the last 12 months, the highest since 2009. We've been the recipient of several prestigious industry awards[1] and implemented a range of new initiatives – from teen banking products, to more accessible competitive home loans, and a brand new digital newsletter.

MEMBER SATISFACTION

We pride ourselves on putting our members first and as a result we have one of the highest levels of member satisfaction in Australian banking. This was demonstrated when we were honoured to be named the Roy Morgan Research '2015 Bank of the Year'.

The Bank of the Year award was based on our average monthly customer satisfaction score of 95%, and in eight months out of twelve in 2015, we topped the satisfaction poll. This was significantly above the average scored by the big four banks over the same period, and higher than the other customer-owned banks.

DIGITAL PRESENCE

Our members are digitally savvy, so we continue to enhance the ways they can interact with us via their device of choice. Over the past year we've strengthened this with an enhanced website, extended our webchat service and opened more social media channels. This approach was further solidified when recent Roy Morgan Research revealed Teachers Mutual Bank has the highest percentage of early technology adopters (29.2%) among its membership.

In late 2015, we launched ThinkBank, a new bi-monthly digital newsletter for members. Circulated to over 93,600 subscribers, ThinkBank contains updates and articles on personal finance, education, travel and technology. Members interested in subscribing can email subscribe@tmbank.com.au.

Our social media channels continued to flourish with our Facebook page offering a broad range of content and gaining more than 5,300 'fans'. Our LinkedIn (/teachers-mutual-bank-limited) audience also continues to grow.

To enhance our social media suite, in 2016 we launched our Instagram page (@tmbankau) as another way to engage with our Gen Y and millennial members in their channel of choice.

BANKING ACCESSIBILITY

We strive to ensure that our members have access to our services anywhere, any time through our branches, ATM network, websites, mobile applications, school visits, mobile lenders and broker networks.

We've further built upon our face-to-face accessibility to our members by strengthening our mobile lending and Business Relationship teams, and providing remote service staff with iPads to assist them to provide consistent, high-quality customer service whilst off-site. Our success in the home loan broker channel continues and we are now partnering with 12 aggregators and almost 2,000 brokers across Australia – nearly double the total from 2015.

Over the past year, members have been increasing their use of our existing digital options, with a 4.2% increase in internet banking users and a 28% increase in mobile banking users from 1 July 2015 to 30 June 2016.

1. For details, go to tmbank.com.au

We continue to encourage members to opt out of mailed paper statements and switch to online statements, helping to save both costs and forests. The results this year have been encouraging, with the number of members opting for online statements growing from 80,155 in 2015 to 102,091 in 2016.

BUSINESS INTELLIGENCE

We were one of the first banks in Australia to achieve a single customer view, giving our customer service staff immediate access to a member's complete profile and enabling them to provide more personalised service. With UniBank recently joining the Teachers Mutual Bank family, we recognised a need to further streamline our data and reporting. As a result, so we invested in a new business intelligence system to ensure we offer to each member information relevant to their circumstances and life stage, and support their needs.

SECURITY SYSTEMS

As a leading mutual bank, the security and integrity of our members' personal details and finances are paramount to us. To ensure all our data is safeguarded, we continually invest in industry-leading security systems and monitoring tools, hire specialised talent, conduct regular employee training and educate our members on personal security.

UNDER 18S PRODUCTS

In 2015 we launched the Mighty Saver account tailored for under 18s. The product encourages teenagers to save by rewarding them with bonus interest when they make deposits and no withdrawals each month. Since its launch, almost 4000 accounts have been opened.

In late 2015 we also launched the under 18s Visa debit card with Visa payWave, so that teenage members can access their money securely and easily.

STUDENT TEACHER PRODUCTS

In 2016, we launched a range of initiatives designed to support members studying teaching at university. These include access to fee-free banking, a no-fee credit card and the opportunity for one lucky student teacher to win $25,000 towards their education degree. During O-Week, our Business Relationship team successfully held over 48 campus events with exposure to more than 6,000 students in universities nationally; increasing our New Teacher program member base by 16% from the previous year.

CASUAL TEACHER PRODUCTS

The Relief Teacher campaign commenced at the end of April 2016. The offer supports the growing casual teacher community in Australia with 'no application fee' personal loans; an option to defer repayments for the first three months; no fee for any additional payment; and optional free roadside assistance.

INDUSTRY LEADING PRODUCTS

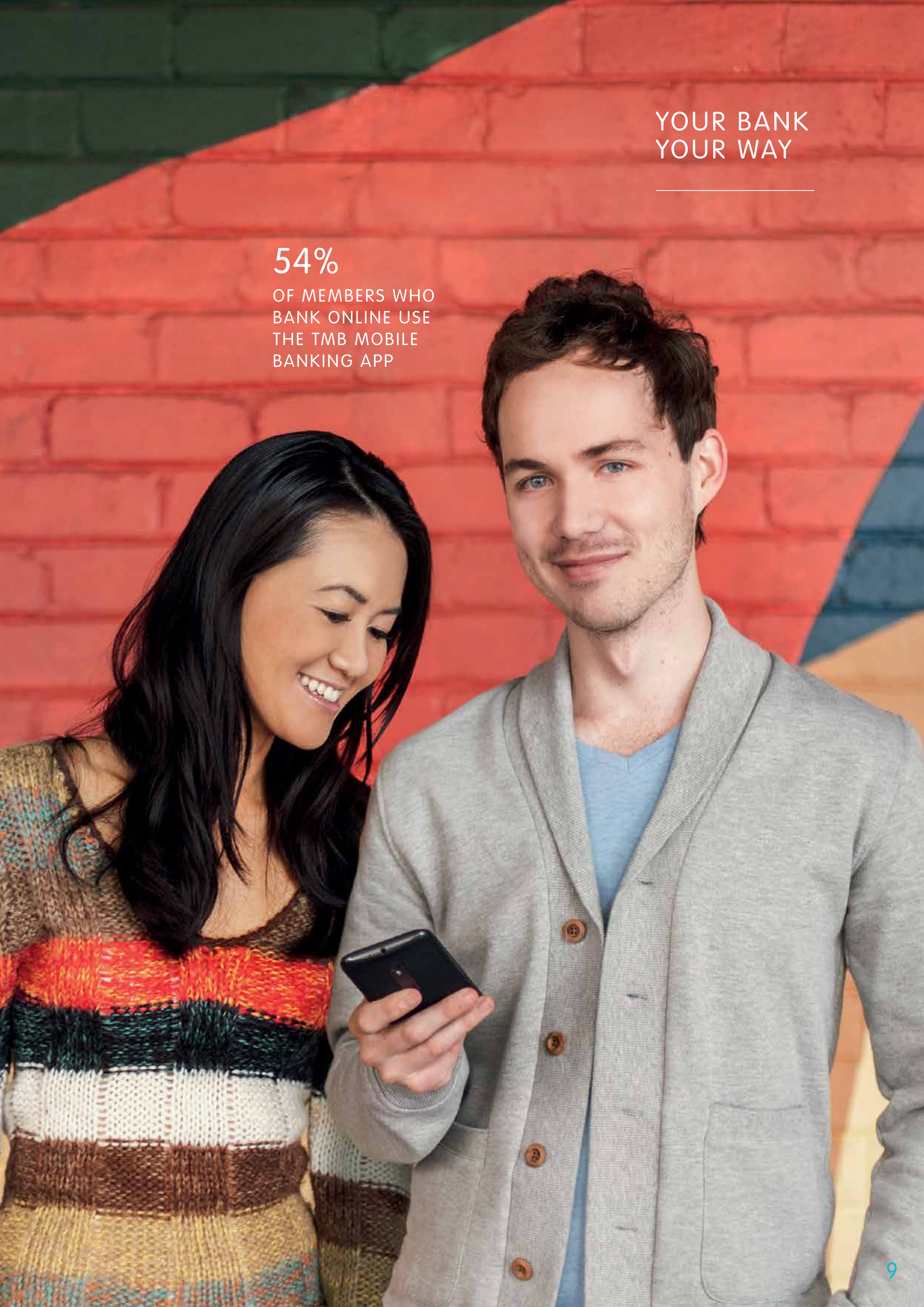
We are dedicated to providing competitive products to our members. Over the last 12 months, we received recognition for our credit card and term deposit products – we were awarded two Mozo Expert Choice Credit Card Awards for best fee-free and low-rate credit card in 2015, and were awarded *Money* Magazine's Best of the Best for our term deposits in 2016.

In November 2015 we also introduced an exciting new low rate Classic Home Loan for members seeking a simple home loan with a highly competitive variable rate. As at June 2016, the Classic Home Loan had generated $124.4 million in fundings.

UNIBANK MEMBER BENEFITS

Since UniBank members joined our Teachers Mutual Bank family in 2015, they have benefited from improved internet and mobile banking, extended telephone banking hours and access to a wider range of products. Members can now apply for a credit card or My First Home Loan, open a reward saver or cash management account and access discounted Zurich insurance products.

For more information go to tmbank.com.au


YOUR BANK
YOUR WAY
54%
OF MEMBERS WHO BANK ONLINE USE THE TMB MOBILE BANKING APP

CHILDREN'S FINANCIAL LITERACY PROJECT IN CAMBODIA

2
OF 10,000
SMILES

WE ARE ONLY AS GOOD AS OUR EMPLOYEES

We are passionate about supporting our employees to reach their full potential because we know they are the key to our success.

We have strong reputation for caring for our employees and this is one of the reasons they choose to work for us. By creating an inclusive workplace and investing in developing our employees, they are able to better service members and develop products to suit member needs.

Over the past 12 months our workforce grew by 8.7% to 501 employees. We operate across five states and territories with Queensland and Victoria the most recent additions to our national footprint. The rapid expansion of our workforce and national presence was largely driven by UniBank employees joining the Teachers Mutual Bank family in 2015.

EMPLOYEE SATISFACTION

Employee opinions of our efforts remain well above industry average. Our latest employee satisfaction rating of 83% exceeds best practice, our staff retention rate of 92% is one of the highest in the finance industry and 85% of our employees would recommend Teachers Mutual Bank as a good place to work.

CULTURE AND DIVERSITY

We value the diversity of experience and perspectives our employees and leadership team provide. Over the past 12 months we have exceeded the ASX average for the percentage of females in Board (44%), Executive (25%) and Management (38%) positions.

We have a high retention rate with many team members having greater than ten years' service and 1 in 3 employees who are aged over 50 now have access to our Mature Age Worker Program, an initiative designed to assist employees transitioning to retirement.

This year we were again awarded a Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality (EOCGE) citation – one of only 90 organisations in Australia to be recognised for this outstanding achievement.

NEW EMPLOYEE BENEFITS

We believe our employees should be recognised and awarded for their work. In 2015, we successfully negotiated a new Enterprise Bargaining Agreement for our employees that covered a range of above-award working conditions for the next three years. This saw the introduction of a number of generous new benefits including increased paid parental leave to 10 weeks, domestic violence leave, natural disaster leave and volunteer leave.

HEALTH AND WELLBEING

We place a strong emphasis on work-life balance with industry-leading flexible workplace practices, fitness and wellbeing classes, and a range of other health-focused initiatives. Over the past 12 months we also focused heavily on bringing mental health issues at work to the forefront of our health and wellbeing agenda.

LEARNING AND DEVELOPMENT

In keeping with our support for education, we encourage our employees to further develop their careers. In 2015, we supported a record 61 employees to undertake further study, with 28 completing a variety of qualifications. Our Learning and Development team supplemented this with the introduction of internal education programs to develop our employees on the job, from traineeships to our emerging leaders and coaching for success.

CORPORATE RESPONSIBILITY

Employees are encouraged to make a difference in the communities we operate in and we foster opportunities for them to do so. Over the past 12 months they have donated over $24,000 to charities such as RSPCA, Stewart House, ReachOut, World's Greatest Shave, and CUFA.

A Volunteer Leave Program was also introduced to give employees one day of paid leave per year to volunteer their time and expertise to a charitable initiative.

WE ARE RESPONSIBLE LENDERS

We strive to create a better future for our members and the community through investing in ethical and sustainable business practices.

We understand the influence our business has on the economy and communities in which we operate, and we recognise that we have an obligation to be responsible in the way we invest and lend.[2]

We are continuously improving our policies and practices to ensure they consider current and emerging environmental and social factors.

Sustainability is one of our core values and we believe it is important that the industry continues to broaden and mature in this sphere, which is why we support industry research and initiatives year-on-year.

We benchmark ourselves against industry leaders from across the world, using a number of highly-regarded independent measurements including those of the Ethisphere Institute, the London Benchmarking Group (LBG) and the Responsible Investment Association Australasia (RIAA).

Over the past financial year we have strengthened our position as a sustainable business leader while achieving strong financial growth, demonstrating to other institutions that ethics and profitability need not be mutually exclusive.

HIGHLIGHTS FROM THE PAST 12 MONTHS INCLUDE:

- Maintaining our position on Ethisphere's list for the third consecutive year as one of the World's Most Ethical Companies for 2016. This year we are one of only four banks internationally to be named on the list, and one of only two Australian companies. This award honours companies that are global leaders in defining and advancing the standards of ethical business practices.
- Increasing our community investment rate to 4.73% of pre-tax profits, as measured by the London Benchmarking Group (LBG). For the fourth year running we have been recognised as a global leader in community investment, with our investment rate outperforming other domestic and foreign companies – four times the international average, eight times the LBG Australia and New Zealand companies' average and fifteen times the LBG Australia and New Zealand finance/insurance sector average.
- Being recognised nationally for our sustainability work by being named 'Best Bank in Socially Responsible Performance (ESG)' at the prestigious 2016 Australian Retail Banking Awards. Assessed against the best performing banks across the Australian financial sector, this award recognises organisations acting beyond market practices in environmental protection, respect for human rights, employment and workplace relations conditions, social commitment and corporate governance. We are proud to receive this award for the third time.

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

SAVING WITH SOLAR

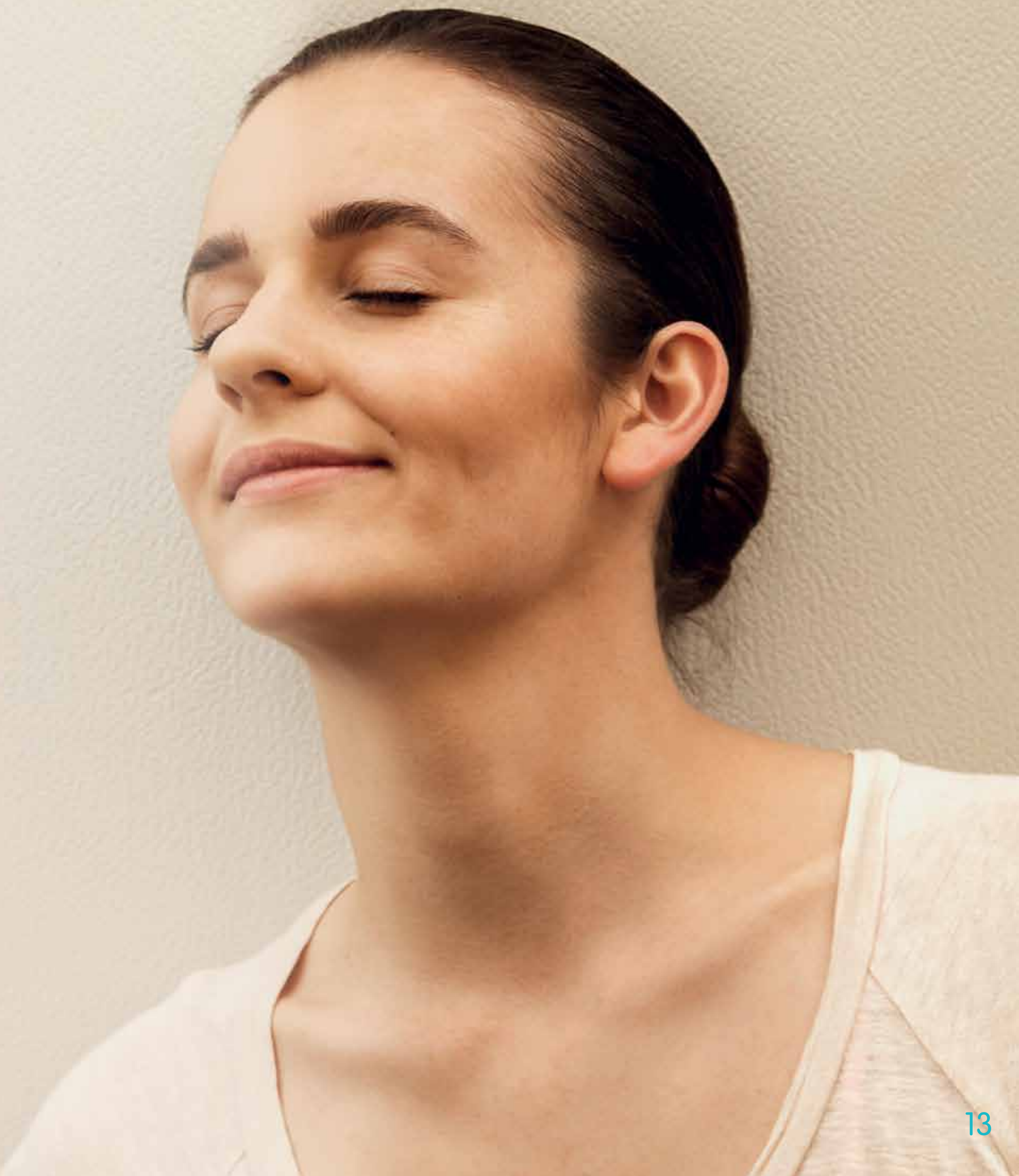
2016

612 SOLAR PANELS

SET TO SAVE:
223 TONNES CO^2
$41,000 P.A

2015

NO SOLAR



FUTURE TEACHERS SCHOLARSHIP 2016 WINNER

WE ARE HELPING YOU MEET YOUR GOALS

We are dedicated to investing in the education sector to support the work of teachers now and into the future.

Over the past 12 months, key initiatives in which we have participated include:

STEWART HOUSE

For 33 years we've been helping to change children's lives. Our donations in 2016 allowed dozens of children to attend the facility for a two week stay to access medical treatment and emotional support at no cost to their parents or carers.

HARVARD CLUB OF AUSTRALIA SCHOLARSHIP

In partnership with the Public Education Foundation we continued our sponsorship of the Teachers Mutual Bank Harvard Club of Australia Education Scholarship.

Our 2016 winner was Clayton Reedie, principal of Dalmeny Public School. In July he attended a professional education program at the Harvard Graduate School of Education in the US, and he plans to share his learnings with his extensive network.

PREMIER'S TEACHERS SCHOLARSHIP

We partner with the Premier's Department to offer the Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship.

Our 2015 winner was Melissa Silk, a Science, Technology, Engineering, Arts and Maths (STEAM) Innovator from International Grammar School, whose study tour was at a leading edge STEAM institution in the US.

Melissa has used the insights she gained to create greater understanding of STEAM via a series of workshops, including a free workshop for our members.

FUTURE TEACHERS SCHOLARSHIP

The Future Teachers Scholarship recognises the dedication of future teachers by assisting them with their study expenses. This year we increased the number of scholarships, awarding over $42,000 worth of financial assistance to 18 students.

The submissions we received provided valuable insights into the financial barriers aspiring teachers face, which will help us to better address the needs of this group of members.

HUNTER AND ACT REGION

Star Struck brings together 300 teachers and 3,500 students from more than 120 schools to perform a multi-talented show. We are delighted that our continued support has helped contribute to this dazzling experience for teachers, students and their families. We remained dedicated supporters of the ACT School Sport and the ACT Step into the Limelight Festival.

NSW

Working closely with the Department of Education we sponsor a range of initiatives delivered by The Arts Unit and The Sports Unit, including the Schools Spectacular, and the Premier's Sporting Challenge.

In 2015, we proudly launched the new School Administrative and Support Staff Professional Association (SASSPA) Teachers Mutual Bank Study Scholarships which aim to enhance the professional and leadership development of SASS staff.

WA

We sponsored the WA Secondary School Leader of the Year Awards, as part of the WA Education Excellence Awards.

In partnership with the Western Australian Primary Principals' Association (WAPPA), we supported the Teachers Mutual Bank Professional Support Program, which enhances teachers, professional development.

QUEENSLAND

In 2016, we proudly launched a new partnership with Life Education Queensland, which assists them to deliver school-based health and drug education programs.

CAMBODIA CHILDREN'S FINANCIAL LITERACY PROJECT

For over 40 years we have partnered with (CUFA) to build financial literacy and prosperity within Asia-Pacific communities.

This year, we sent a group of employees to experience first-hand the Children's Financial Literacy Project providing programs at 40 schools in impoverished communities in Cambodia.

FIJI DISASTER RELIEF

We donated $10,000 to Save the Children Australia to help supply life-saving aid to Fiji Cyclone Winston-affected communities in Fiji.

WE ARE CREATING A BETTER TOMORROW

We want the next generation to live in a better world, so we take environmental protection seriously.

We consistently seek solutions to grow and operate our bank in ways that reduce environmental costs and the impact on our community.

To minimise the use of resources across our bank's operations, we benchmark ourselves against robust targets each year, and invest in environmental initiatives that best align with our members and our values.

CLIMATE CHANGE

We lead on one of the biggest environmental challenges – climate change. We are one of twelve companies that signed up to the Australian Climate Leadership Summit in 2015, which brought together major Australian businesses, government representatives, investors and NGOs to announce significant climate commitments.

Our Sustainability Policy demonstrates our commitment to not use members' deposits to directly lend to or to buy equity or debt in any large-scale greenhouse polluting activities such as fossil fuel exploration, extraction, production and use.

TEACHERS ENVIRONMENT FUND

Many of our members are passionate about teaching sustainability in their classrooms. Our Teachers Environment Fund helps to support a range of school environmental projects such as composting, native bee hives, kitchen gardens, recycling and worm farms.

In 2016, the Teachers Environment Fund awarded $44,648 worth of grants to 27 schools across Australia. Since its launch in 2008 we have provided over $466,000 worth of grants to 197 Australian schools and colleges.

SUPPLY CHAIN

We work in partnership with our vendors to manage the social and environmental impact of our operations. We are developing a Vendor Management Framework which outlines our social, environmental and governance expectations of sourcing and production processes. It will also require vendors to undergo an extensive review to gauge if their sustainability practices align with those of the bank.

CARBON-NEUTRALITY

We have maintained our status as a carbon-neutral bank since 2012. This has been achieved through the investment in carbon offset projects in the Asia Pacific region.

RENEWABLE ENERGY

We have installed 612 solar panels on the rooftops of our NSW and WA premises at a cost of $239,000. The solar panels are estimated to generate up to 274,100 kWh per year, with two systems exporting 7,000 kWh to the grid. This is forecast to save 13% on our total emissions (223 tonnes of CO^{2}) and $41,000 every year.

PAPER CONSUMPTION

We minimised paper use by 16% through employee training programs, robust company policies and the continued promotion of digital statements and newsletters. Almost all of the paper usage across our owned premises and marketing materials comes from a certified sustainable source.

WATER CONSERVATION

We reduced water consumption across all of our four owned branches and offices in NSW by 43% to 4,324kL, with use at the Homebush headquarters reduced by 47%. This downward trend was largely driven by the installation of new bathroom hardware and an air cooled plant across all owned premises in NSW.

RECYCLING PROGRAMS

As we expand our technology infrastructure to meet demands led by growth in our digital banking services, our e-waste output has increased in response. In 2016, staff supported efforts to refurbish and donate 18 of our workplace laptops to Fijian schools following Cyclone Winston.

TEACHERS ENVIRONMENT FUND 2008-2016

$466,766
IN GRANTS

197
PROJECTS

COMPARED TO OTHER COMPANIES WE GIVE PRE-TAX PROFITS WHICH ARE:

4 X LBG*
GLOBAL LEADER AVERAGE

8 X LBG*
ANZ SECTOR AVERAGE

15 X LBG*
ANZ FINANCE/ INSURANCE SECTOR AVERAGE

*London Bench Marking Group. The LBG model encourages greater accountability and is recognised as best practice in reporting on corporate community investment.

SUSTAINABILITY KEY PERFORMANCE INDICATORS AND TARGETS

Sustainability is one of our core values, and to ensure it is embedded across the business each year we formally report on our environmental, social and governance performance against 95 key performance indicators and targets.

MEMBERS	2013-14	2014-15	2015-16
Member satisfaction rating[1]	90%	94%	93%
CANSTAR member valuation – against the four major banks[2]	N/A	$229	$277
Host member engagement events[3]	-	183	237
Disputes lodged with external bodies[4]	-	9	11
Members assisted through the Credit Assistance service	165	81	130

COMMUNITY	2013-14	2014-15	2015-16
Total community investment (as measured by LBG)[5] Percentage of net profits before tax (NPBT)	$1,620,000 4.1%	$1,670,000 4.55%	$1,977,000 4.73%
School visits	2,102	1,553	1,169
Conferences supported	153	205	161
Employee fundraising	$19,074	$17,544	$24,336

ENVIRONMENT	2013-14	2014-15	2015-16
Paper recycled (tonnes)	22	40	41
Waste generated (tonnes) Per full-time employee (kilograms)	68 157	59 135	62 132
Greenhouse gas emissions[6] (tonnes)	0	0	0
Toner cartridges recycled (kilograms)	217	225	149
Water consumed per FTE (litres)	13,585	17,585	9,247

EMPLOYEES	2013-14	2014-15	2015-16
Percentage of women in management	31%	30%	38%
Employee satisfaction rate[7]	84%	86%	83%
Employee engagement rate[8]	84%	87%	82%
Employee turnover rate	8%	10%	8%
Employees currently studying	25%	12%	17%
Study leave days granted	209	221	209
Worker compensation claims	7	7	4
Staff satisfaction with workplace health & safety (WH&S)	92%	89%	93%
Average lost time incident rate (in days)	17	5	17

1. GALKAL surveyed 3,231 members via an online survey between 31 August 2015 and 14 September 2015. **2.** CANSTAR is an independent financial services research group (www.canstar.com.au). The CANSTAR member valuation is a measurement of the return provided on the investment that the member's share represents. The valuation is commissioned by Teachers Mutual Bank. **3.** Not reported in 2014 as it was a new KPI. **4.** This is the number of disputes lodged with the Financial Ombudsman Service. Not reported in 2014 as it was a new KPI. **5.** The London Benchmarking Group (LBG) framework is the internationally recognised standard for measuring and evaluating a corporation's community investment (www.lbg-australia.com). Results published in November 2015 are based on FY 2015 data for Teachers Mutual Bank. The LBG model provides a comprehensive and consistent set of measures for corporate community investment professionals to determine their organisation's contribution to the community, including cash, time, in-kind donations, and management costs. **6.** We offset our greenhouse gas (GHG) emissions from electricity and fuel use (Scope 1 and Scope 2). **7.** Data taken from Teachers Mutual Bank's Employee Attitude Survey 2016, conducted by Quantum Management Indicators. This data includes UniBank. **8.** ibid

SUSTAINABLE BUSINESS PRACTICES

TARGETS	RESULTS
1 Benchmark and report our community investment using the London Benchmarking Group (LBG[1]) methodology	We are a global leader in community investment, spending 4.73% of pre-tax profits (NPBT).This is four times the LBG international average, and fifteen times the LBG Australia and New Zealand finance/insurance sector average.
2 All staff, Grade 6 and above, have sustainability KPIs in their performance plans	All Managers, Senior Managers and Executives have sustainability KPIs in their performance plans.
3 Review and improve sustainability training and education available to employees	The sustainability training module has been updated and is part of a formal online training program. It is mandatory for all employees at Teachers Mutual Bank and UniBank.
4 Assign Board responsibilities for sustainability	Our CEO is responsible for presenting sustainability topics to the Board, with sustainability a monthly agenda item.
5 Launch a revised Sustainability Policy and review annually	The Board is responsible for updating our Sustainability Policy 2220 each year. A recent review of this policy was conducted in 2016.
6 Publish our position and investment policy on climate change and fossil fuels	We are committed to not using members' deposits to directly lend to, or to buy equity or debt in any large-scale greenhouse polluting activities such as fossil fuel exploration, extraction, production and use. This is written into our Lending, Credit and Treasury policies, which are published on our website and also contained in our Sustainability Policy.
7 Sustainability embedded into business policies, practices and decision making	The leading KPI in our Strategic Business Plan is 'Sustainability is integrated throughout the business and embedded in policies, procedures and practices'.
8 Revise and launch a new Sustainability Committee Charter	Our Sustainability Committee Charter was updated in 2016. The Sustainability Committee, chaired by our CEO, has increased its Executive membership to six in 2015 to include the General Manager of UniBank.
9 Undertake a stakeholder mapping exercise and implement a revised stakeholder engagement plan	A Stakeholder Engagement Advisor has been appointed to oversee the implementation of the Stakeholder Strategy, with a focus on the education community. Internal training has been developed to ensure consistent engagement across the business.
10 Establish mechanisms for two-way sustainability dialogue with stakeholders	The Stakeholder Engagement Advisor has broadened engagement to include the education community in non-government schools. There is a focus on national partnerships and collaborative initiatives. We have multiple avenues for engagement including face-to-face meetings and communications, electronic direct mail and newsletters, attendance and speaking at conferences and association meetings, social media, and annual member survey, a compliment and complaints process and focus groups.
11 Survey key suppliers on how they incorporate CSR issues into their products, services and management practices	We are developing a Vendor Management Framework which outlines our social, environmental and governance expectations of sourcing and production processes. It will also require vendors to undergo an extensive review to gauge if their sustainability practices align with those of the bank.
12 Introduce sustainability criteria into specific requests for proposals and contracts	We mandate that all new material suppliers complete the Sustainability Supplier Survey when responding to a Request for Proposal (RFP) and Request for Information (RFI). Responses are then reviewed to gauge vendor sustainability practices.
13 Increase the purchase of more sustainable products and services, and develop a sustainable print and paper policy	23% of offices supplies are sourced from the Earth Care range at Staples, with all of our office paper certified and carbon neutral.
14 Actively research and trial more sustainable products with third party verification	We have reviewed a number of products, but not undertaken any major trials this year.
15 Promote a zero tolerance culture for corruption and internal fraud	No incidents of corruption or fraud were identified. To ensure our member's personal details and finances are safeguarded from fraud and scams, we: • invest in industry-leading security systems and monitoring tools; • implement robust policies and procedures; • hire specialised talent and conduct regular employee training; and • educate our members.

SUSTAINABILITY FOR OUR FUTURE GENERATIONS

99.5%

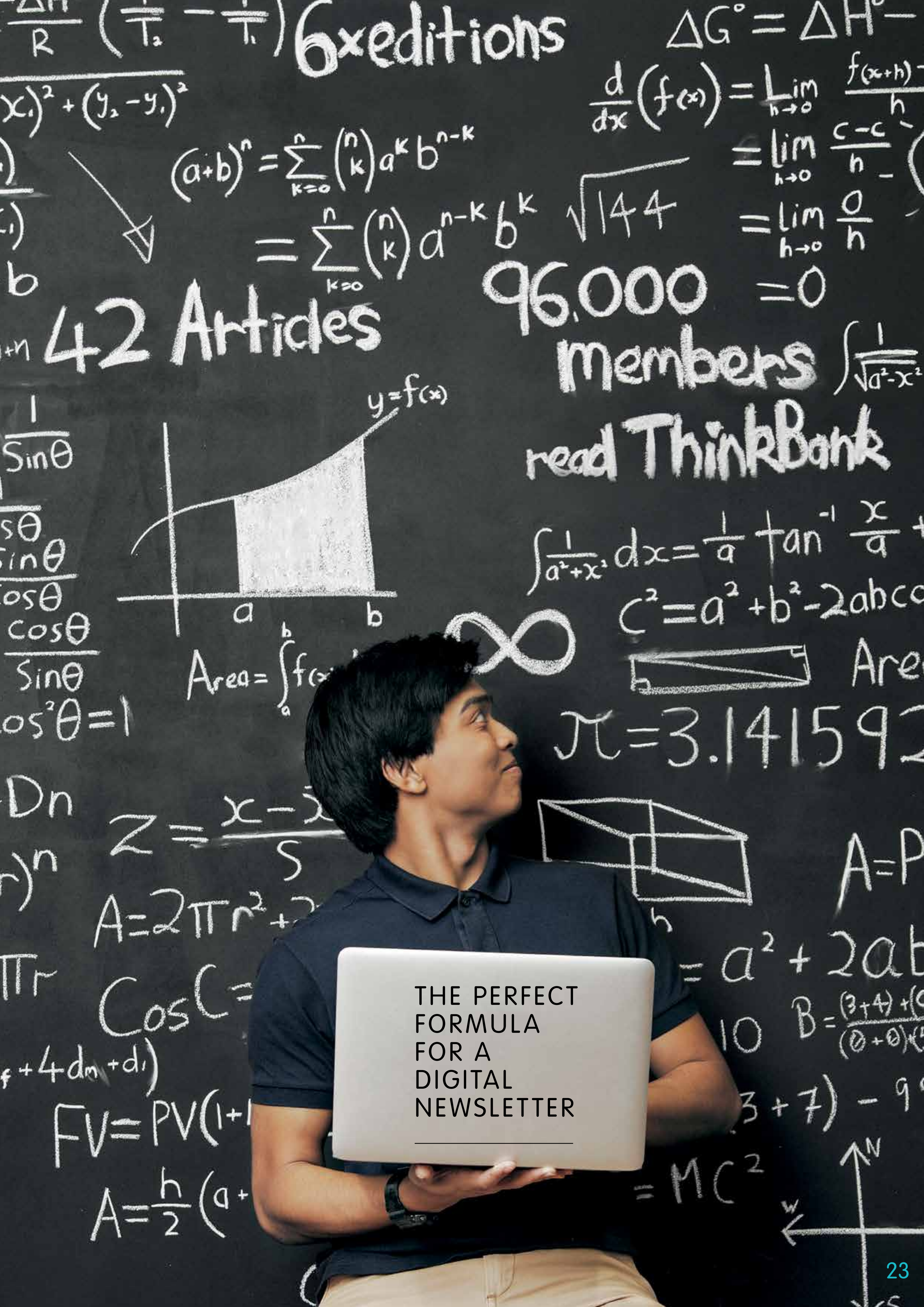
OF PAPER IS FROM CERTIFIED SUSTAINABLE SOURCE

16%

DECREASE IN PAPER CONSUMPTION

MEMBERS

TARGETS	RESULTS
1 Achieve member satisfaction ratings at or above 90%	Based on the monthly Roy Morgan Research Consumer Banking Satisfaction Survey[2], we consistently achieved a satisfaction score of 90% or higher during 2016, and we were named '2015 Bank of the Year' for customer satisfaction. Based on the 2015 Member Satisfaction Survey conducted by GALKAL, we achieved a member satisfaction score of 93% in 2015.
2 Improve CANSTAR Member Valuation[3]	We outperformed selected competitors, with member value of $28,995,658 generated on an annual equivalent basis – equating to $180 value generated per member on an annual equivalent basis, a 17% increase on the previous year. The result highlights our competitive positioning relative to its selected competitor base. When the comparison is restricted to the four major banks, these values increase to $44,604,975 and $277 respectively.
3 Improve member retention rates	Our attrition rates reduced by 4%.
4 Adverse findings by external parties not to exceed 20% of disputes	This relates to the number of disputes lodged with the Financial Ombudsman Service (FOS). There were no adverse findings.
5 Reduce number of disputes lodged with external bodies each year	The number of disputes lodged by our members via the FOS was well below our target of 30 FOS cases per annum. There were 11 formal disputes lodged by external bodies – 3 were later classified as being outside their terms of reference.
6 All complaints responded to within one business day	We responded to 99.8% (2,996) of complaints (3,001) within one business day.
7 Achieve best practice for all complaints to be resolved within 14 days	We responded to 95% (2,861) of complaints within 14 days or less, with 98% (2,950) of complaints completed within 21 days or less.
8 No external loss of data that results in a major breach of privacy	As a result of rigorous data security, no external loss of data was identified. In 2016, we enhanced the framework for our data loss operational systems and developed new management systems and policies. All employees received training in privacy regulations and managing personal information.
9 Host member engagement events	We hosted 237 events for members, including lunch box presentations, mobile offices, investment seminars and dinners.
10 Visit members' workplaces	We visited 1,169 schools across NSW, WA, ACT and NT. We attended 13 university award presentation events across NSW, QLD and TAS to provide graduates with scholarships and prizes.
11 More than 90% of members feel that they have adequate access to banking services	As measured by the 2015 Member Satisfaction Survey conducted by GALKAL[4], 95% of members rated access to any of Teachers Mutual Bank's services as 'very accessible' or 'quite accessible'.
12 More than 90% of members feel that they have adequate access to information and assistance	As measured by the 2015 Member Satisfaction Survey conducted by GALKAL, 91% of members 'somewhat agreed' or 'strongly agreed' that they had adequate access to information or assistance on any of the Teachers Mutual Bank services.
13 100% of marketing campaigns complying with responsible marketing guidelines	All marketing campaigns were developed in line with our responsible marketing guidelines, relevant laws, industry codes and regulatory guides.
14 No breaches of responsible marketing guidelines that adversely affect members and customers or result in adverse media or sanctions	There were no breaches of responsible marketing guidelines that adversely affected members and customers or resulted in adverse media or sanctions.
15 Assist members in financial difficulty through the Credit Assistance Programme	Over the past 12 months, 130 members were assisted through our Credit Assistance Programme.


6xeditions
42 Articles
96.000 members read ThinkBank
THE PERFECT FORMULA FOR A DIGITAL NEWSLETTER

COMMUNITY

TARGETS	RESULTS
1 Maintain our minimum commitment of 3% of net profits after tax (NPAT) invested in sustainability initiatives	As measured by the LBG[1], over the past 12 months we spent 4.73% of net pre-tax profits (NPBT) on community investment (this is equal to 6.64% of NPAT).
2 Provide financial support to the education sector via sponsorship and donations	As measured by the LBG, we invested almost $2 million in the community over the past 12 months.
3 Prioritise collaboration with the various Departments of Education in NSW, ACT and WA	Over the past 12 months, we have continued to work closely with the Departments of Education across NSW, ACT and WA to support and sponsor a range of initiatives, including: • the Schools Spectacular, Premier's Teacher Scholarship and Premier's Sporting Challenge Staff Challenge in NSW; • the Step into the Limelight in ACT; and • the WA Secondary School Leader of the Year awards as part of the WA Education Excellence Awards.
4 Foster effective relationships with the education sector	In partnership with the Public Education Foundation, we continued to sponsor the Teachers Mutual Bank Harvard Club of Australia Scholarship. We also launched the new SASSPA Teachers Mutual Bank Study Scholarships. We established valuable partnerships with the Independent Education Union (IEU) NSW/ACT and the Catholic Education Diocese of Parramatta (CEDP) in NSW. We launched a new partnership with Life Education Queensland to provide sponsorship to assist them to deliver school-based health and drug education programs in QLD.
5 Enhance the professional development of teachers via the support of teacher conferences and events	We sponsored 161 conferences and events, and expanded our support to include events in QLD, SA, TAS and NT alongside existing support in NSW and ACT.
6 Continue to be a leading corporate sponsor of Stewart House	We donated $38,500 to assist children to attend the charity house for a fortnight stay where they can access medical treatment and emotional support at no cost to their parents or carers.
7 Assist poverty alleviation in the Asia-Pacific region via Platinum Sponsorship of CUFA	We donated $60,000 along with employee time to the Children's Financial Literacy Project to help provide education programs to 10,000 primary school children at 40 schools in Cambodia. Our support of the Myanmar Teachers Project has exceeded expectations after two years and has to date benefited 153 teachers, 4,224 school children and over 41,000 people in the community.
8 Improve our support for indigenous education initiatives	We continued to support indigenous education initiatives through programs such as the Teachers Environment Fund grants.
9 Provide Teachers Environment Fund grants for sustainability in schools	The Teachers Environment Fund awarded $44,648 worth of grants to 27 Australian schools.
10 Financially assist student teachers with Future Teacher Scholarships	The Future Teachers Scholarship awarded $42,500 worth of grants to 8 students and prizes to 10 runners-up to help with their education costs.
11 Fund the NSW Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship	The Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship, which is worth $15,000, aims to enhance the leadership skills of NSW public school and TAFE teachers via Australian and overseas educational tours.
12 Support employee-driven charity programmes	We raised $24,336 from Workplace Giving and Staff Fundraising at our charity days. This amounted to an average of $52 per full time employee. In 2016, staff also supported efforts to refurbish and donate 18 workplace laptops to Fijian schools following Cyclone Winston.

SUPPORTING STEWART HOUSE

33

YEARS OF PARTNERSHIP

ENVIRONMENT

TARGETS	RESULTS
1 5% reduction in HQ energy to 2013, and 10% by 2015	Over the past 12 months, electricity consumption at the Homebush HQ reduced by 22% to 1,231,902 kWh, and by 35% since 2013. This reduction was largely driven by LED lighting and air conditioning upgrades at the Homebush HQ.
2 Investigate large-scale commercial solar PV opportunities for our HQ	We have installed 612 solar PV panels (188 kWp) on the rooftops of all our four owned premises in NSW and WA at a cost of $239,000. The solar rooftops are estimated to generate up to 274,100 kWh per annum, with two systems exporting 7,000 kWh to the grid. This is forecast to save 13% on our total emissions (223 tonnes of CO_2) and $41,000 every year.
3 25% reduction in head office water use from 2011	Over the past 12 months, water consumption across our NSW premises reduced by 43% to 4,324kL, and by 18% since 2012. At the Homebush HQ, water consumption has reduced by 47% to 3,216kL and 26% since 2012. This reduction was largely driven by the installation of new bathroom hardware and air cooled plant at two of our NSW premises.
4 Reduce total waste to landfill from 2011	Since 2011, total waste generated has reduced by 11% from 70 tonnes to 62 tonnes in 2016. Waste generated per FTE reduced from 157kg to 132kg in the same period.
5 Increase the number of members receiving online statements and newsletters	Members receiving online statements increased from 80,155 (44%) in 2015 to 102,091 (50%) in 2016. Launched in 2015, over 93,000 of our members now receive ThinkBank, our bi-monthly digital newsletter.
6 Maintain carbon neutral status, so that all member accounts are held with a carbon neutral bank	We have been a carbon neutral bank, since 2012. This has been achieved by offsetting our greenhouse gas (GHG) emissions from electricity and fuel use.
7 Invest in certified carbon offset projects with robust social, environmental, community and education standards	Our carbon offsets are provided by Climate Friendly.[11] We invest in three projects in renewable and community energy and waste gas in Asia. These are certified as 'Gold Standard', 'Social Carbon' and 'Verified Carbon Standard (VCS)'.
8 All new cars purchased for our fleet to achieved at least a three-star rating in the Green Vehicle Guide	This year the government introduced a new rating approach. In response we will review and establish a new target based on this approach. In 2015 CO_2 emissions from our car fleet reduced from 638 tonnes to 545 tonnes in 2016, and we offset these emissions.
9 Improve data collection processes for energy, waste, water, paper and supply chain	We have achieved an improved standard of monthly data collection to allow more control and extra visibility into our usage levels across the business.
10 Engage and train employees on sustainable office practices	We continue to promote and educate staff on office-wide recycling. We continue to seek fresh initiatives that best align with our employees and vision.
11 Implement new employee engagement programs to save energy	We maintained employee engagement on energy conservation in partnership with our Learning and Development Committee. Over the past 12 months, our focus has been the installation of solar PV rooftop panels and the installation of LED lighting across our NSW and WA premises.
12 Introduce new technology and processes to reduce paper wastage and improve efficiency	Over the past 12 months, paper consumption was reduced by 16% across all of our premises. This reduction was largely driven by the continued promotion and education of employees on office-wide recycling and the implementation of Upstream Printing Solutions in Homebush HQ to help reduce printing and copying costs – this system will be rolled out to all of our sites in 2017. With respect to our total paper use, 99.5% is from a certified sustainable source; 32% is FSC Certified and 67% is PEFC certified, while 64% of all paper use is certified carbon neutral.
13 Improve our recycling program for printers, toner, IT, e-waste, phones, paper and cardboard.	Over the past 12 months, we recycled 41 tonnes of paper, 13,360kg of co-mingled waste and 7,088kg of e-waste. We revised the number and size of bins across our offices and introduced Skid size containers to reduce waste handling and the number of pickups.

References.

1. The London Benchmarking Group (LBG) measurement framework is the internationally recognised standard for measuring and evaluating a corporation's community investment (www.lbg-australia.com). **2.** Roy Morgan Customer Satisfaction Awards are based on data from Roy Morgan's Consumer Single Source survey (over 50,000 consumers annually), as well as Roy Morgan's Business Single Source survey (over 12,000 business decision makers annually). These two large, nationwide studies provide a thorough and accurate way to identify and recognise Australia's top businesses in Customer Satisfaction. **3.** CANSTAR is an independent financial

EMPLOYEES

TARGETS	RESULTS
1 100% of frontline employees enrolled in/completed online complaints handling training	As of the end of June 2016, all front-line employees had completed online complaints handling training.
2 Maintain employee satisfaction rating at or above 85%	According to our Employee Attitude Survey 2016 conducted by Quantum Management Indicators, our employee satisfaction rating was 83%[6].
3 Maintain employee engagement at or above 80%	Our employee engagement rating was 82%[7].
4 Achieve employee engagement rating above the National Finance Sector industry standard (small to medium sized companies)	Our employee rating of 82% compared favourably against the National Finance Sector industry standard of 79%[8].
5 Minimum 85% of employees recommending TMB as a good place to work	85% of employees have indicated they would recommend Teachers Mutual Bank as a good place to work.
6 Maintain employee turnover at below industry average	As of 30 June 2016, employee turnover was 8% which is well below the finance industry average of 17%.
7 Minimum 15% of employees engaged in study	Over the past 12 months, 17% of employees engaged in various tertiary qualifications. We supported these employees by providing leave and assistance.
8 All employees to complete annual performance reviews	All employees completed annual performance reviews.
9 All employees to complete annual development plans	All applicable employees completed annual development plans.
10 Continue to develop and implement policies and procedures that reflect best practice in employee relations	In 2016, a number of new policies and procedures were developed as part of our Enterprise Bargaining process including domestic violence leave and other revised leave policies.
11 Zero tolerance to discrimination, harassment and bullying	We maintained a culture free from harassment and workplace bullying, through a comprehensive employee education program and a zero tolerance policy.
12 Exceed the ASX average of the percentage of females in Board, executive and management positions	We exceeded the ASX average at all leadership levels; 44% of our Board members, 25% of our Executive team and 38% of Management were women.
13 Be recognised as an Employer of Choice under the Workplace Gender Equality Agency (WGEA)	In 2015, we were named one of 90 organisations to be awarded a Workplace Gender Equality Agency (WGEA)[9] Employer of Choice for Gender Equality (EOCGE) citation.
14 Continue to support employee volunteer days, sponsorship and donation requests associated with charitable initiatives	Teachers Mutual Bank employees raised $24,336 for charity.
15 Continue to develop and implement diversity, discrimination and flexible working guidelines for recruitment, training and promotion	Unconscious bias training was provided to all employees in leadership roles.
16 Reduce the lost time incident rate (LTIR) (in days)	Our lost time incident rate (LTIR) was 17 days. This extended rate was a result of two ongoing claims that required a longer rehabilitation period.
17 Maintain employee satisfaction with WH&S at or above 85%	93% of employees agree they work in a safe and healthy workplace environment.[10]
18 Make health, safety and wellbeing an integral part of each employee's role	All job descriptions include a statement that employees are responsible for complying with WH&S legislation. WH&S training and education is mandatory for all employees, contractors and visitors to our business.

services research group (www.canstar.com.au). The CANSTAR Member Valuation is a measurement of the return provided on the investment that the member's share represents. The valuation is commissioned by Teachers Mutual Bank. 'Selected competitors' means all financial institutions covered by CANSTAR. **4.** GALKAL surveyed 3,231 members via an online survey between 31 August 2015 and 14 September 2015. **5.** HR data includes UniBank employees, except points 12 (WGEA) and 13 (Employee fundraising). **6.** Data from Teachers Mutual Bank's Employee Attitude Survey 2016, conducted by Quantum Management Indicators. The survey includes UniBank. **7.** ibid. **8.** ibid. **9.** The EOCGE citation commenced in 2014, replacing the predecessor citation, the EOWA Employer of Choice for Women. The citation is strategically aligned with the *Workplace Gender Equality Act 2012* (Cth). **10.** Data from Teachers Mutual Bank's Employee Attitude Survey 2016, conducted by Quantum Management Indicators. The survey includes UniBank. **11.** Climate Friendly is a global innovative carbon management and energy solutions organisation helping businesses take action on climate change. Climate Friendly supplies only the highest quality carbon offset certificates or carbon credits in Australia, accredited under stringent international standards. More information at www.climatefriendly.com

DIRECTORS' REPORT

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

The Directors must satisfy the Fit and Proper criteria set down by APRA, and they must abide by our Code of Conduct which outlines their legal and ethical obligations. The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements. The Board conducts an annual review of its performance, along with reviews of individual directors, committees and the executive.

JOHN KOUIMANOS (CHAIRPERSON)
BA, Dip Ed

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

Linda Green (DEPUTY CHAIRPERSON)
Dip Teach, B Ed (Primary Education), GAICD

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

TYRONE CARLIN (DIRECTOR)
B Com, LLB (Hons), M Com (Hons), LLM, PhD, Grad Dip Fin SIA, CA, FCPA, F Fin, MAICD, MFP

Tyrone Carlin is Deputy Vice-Chancellor (Registrar) and Professor of Financial Regulation and Reporting at the University of Sydney. He has held a variety of prior senior academic appointments including Co-Dean of the University of Sydney Business School, Dean of Law at Macquarie University and Director of Academic Programs at Macquarie Graduate School of Management. Professor Carlin teaches in the areas of financial reporting and management, corporate acquisitions and reconstructions and corporate and commercial law, and has published more than 100 scholarly articles in his areas of expertise. He has been engaged as a consultant by a substantial number of leading corporate, professional services and Government organisations. He is a director of CPA Australia and Chair of Sydney Talent Ltd. Professor Carlin is a member of the Audit Committee and Risk and Compliance Committee, Marketing and Member Relations Strategy, and Large Exposures Committees.

MICHELENE COLLOPY (DIRECTOR)
B Ec, CA (FPS), FAICD

Michelene Collopy has over 20 years' experience in financial markets and has held senior roles in compliance, funds management, treasury and financial reporting. Michelene is currently Chairperson of Perpetual Superannuation Limited and sits on the council of the University of Technology Sydney. Ms Collopy is a qualified chartered accountant and financial planning specialist, a registered company auditor, licensed operator on the Australian Stock Exchange, and Justice of the Peace. She is Chairperson of the Audit Committee and the Risk and Compliance Committee and a member of the Board Remuneration Committee.

JENNIFER LEETE
(DIRECTOR)

BA, Dip Ed, GAICD

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

GRAEME LOCKWOOD
(DIRECTOR)

Dip Teach, Grad Dip C.Ed, GAICD

Graeme Lockwood commenced teaching in 1974 and retired as Head Teacher (Administration) at Normanhurst Boys High School in 2012. He served on the Supervisory Committee and Members Committee for many years and was elected to the Board in 2004. He is a member of the Audit Committee, the Development and Education Committee and the Large Exposures Committee. He is also is Chairman of Q.T. Travel Pty. Ltd. (trading as Diploma World Travel Service) and Tertiary Travel Service Pty Ltd.

MAREE O'HALLORAN AM
(DIRECTOR)

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

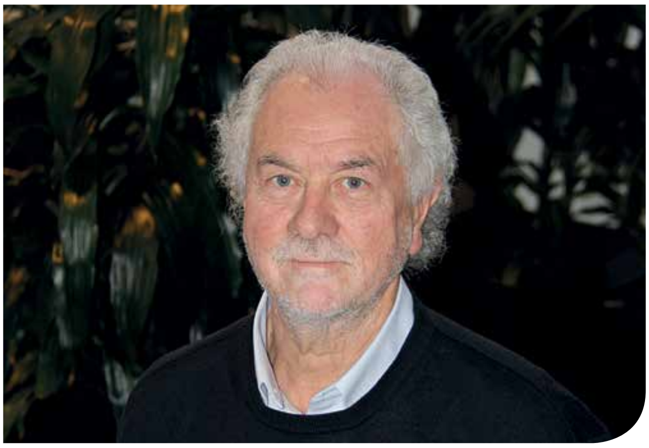
Maree O'Halloran is currently a Senior Associate at NEW Law Pty Ltd where her clients include teachers and nurses. Prior to her appointment with NEW Law in April 2015, Ms O'Halloran was the Director (CEO) of the Welfare Rights Centre for seven years where she also practised as a solicitor. The Welfare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

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

MICHAEL O'NEILL
(DIRECTOR)

B Ec, BEd, Grad Dip Acct, FFTA, GAICD

Michael O'Neill is an experienced senior executive and director with over 25 years' experience in financial services. Michael has a strong background in finance, risk and governance, having held roles as Chief Financial Officer and Chief Risk Officer for NAB's Personal Banking Division in Australia and Treasurer for the NAB Group. Michael also has a background in risk management consulting and audit with KPMG. Michael holds a number of non-executive positions including Chair of Gymnastics Victoria and Board Director of The Royal Women's Hospital in Melbourne. He is Chair of the Large Exposures Committee and a member of the Risk and Compliance Committee.



EMERITUS PROFESSOR WILLIAM FORD (DIRECTOR)

Dip Teach, Grad Dip C Ed, GAICD

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

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

Company Secretaries

The Company Secretaries in office at the end of the financial year are:

Steve James (CHIEF EXECUTIVE OFFICER)

MBA, Dip AICD, Adv Acc Cert, GAICD

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

Brad Hedgman (DEPUTY CHIEF EXECUTIVE)

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

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

Board of Directors meetings

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as per the table on the right.

(A) Number of meetings attended
(B) Number of meetings entitled to attend

A leave of absence was granted where a Director was unable to attend a Board of Directors meetings.

* Director Ford was appointed to the Board on 1 August 2015.

Board of Directors meetings	A	B
TOTAL MEETINGS		**15**
John Kouimanos	13	15
Linda Green	15	15
Tyrone Carlin	15	15
Michelene Collopy	14	15
William Ford	14	*14
Jennifer Leete	11	15
Graeme Lockwood	15	15
Maree O'Halloran	15	15
Michael O'Neill	15	15

Committees of Directors meetings

The number of meetings held for the committees of Directors during the year and the number of meetings attended by each Director was as follows:

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

(A) Number of meetings attended. (B) Number of meetings entitled to attend. A leave of absence was granted where a Director was unable to attend any of the above meetings.

Directors' benefits

No Director received, or became entitled to receive, during or since the financial year, a benefit because of a contract made by the Parent, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 31 of the financial report.

Indemnifying officers or auditors

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

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

Financial performance disclosures

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the provision of retail financial services in the form of taking deposits and the giving of financial accommodation as prescribed by the Group's constitution.

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

OPERATING RESULTS

The net profit of the consolidated Group for the year after providing for income tax was $30.3 million (Parent in 2015: $29.8 million).

DIVIDENDS

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

REVIEW OF OPERATIONS

The Group accepted a transfer of business from The University Credit Society Limited, including its subsidiary Tertiary Travel Service Pty Ltd effective 1 August 2015. This business was rebranded as UniBank and will continue to focus on the tertiary sector. The results provided include the results of the Parent's operations from its activities of providing financial services, which did not change significantly from those of the previous year and the results of the subsidiary's operations from its activities of providing travel services.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS OCCURRING AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND RESULTS

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

(i) the operations of the Group

(ii) the results of those operations; or

(iii) the state of affairs of the Group

in the financial years subsequent to this financial year.

Auditors' independence

The auditors have provided the declaration of independence to the Board of Directors as prescribed by the *Corporations Act 2001 (cth)* as set out below.

Rounding

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/100 (as amended by 06/51). The Group is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

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

Signed on behalf of the Board of Directors by:

John Kouimanos,
Chairman

Michelene Collopy
Chairperson of the Audit Committee

Signed and dated 29 August 2016.

Level 17, 383 Kent Street
Sydney NSW 2000

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Auditor's Independence Declaration
To the Directors of Teachers Mutual Bank Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner - Audit & Assurance

Sydney, 26 August 2016

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE(S)	2016 $'000		2015 $'000	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Interest revenue	2a	236,910	236,910	227,877	227,876
Interest expense	2c	(113,481)	(113,489)	(115,386)	(115,392)
NET INTEREST INCOME		**123,429**	**123,421**	**112,491**	**112,484**
Fee, commission and other income	2b	37,772	21,849	29,493	22,453
TOTAL REVENUE		**161,201**	**145,270**	**141,984**	**134,937**
Non-interest expenses					
Impairment losses on loans and advances	2d	(2,337)	(2,337)	(2,578)	(2,578)
General administration	2e				
- Employees' compensation and benefits		(54,676)	(53,592)	(48,473)	(47,828)
- Depreciation and amortisation		(6,264)	(6,257)	(5,750)	(5,743)
- Transaction expenses		(12,100)	(12,100)	(11,172)	(11,172)
- Information technology		(9,988)	(9,956)	(9,930)	(9,924)
- Office occupancy		(3,071)	(3,071)	(2,892)	(2,890)
- Travel cost of sales		(14,548)	-	(5,884)	-
- Other administration		(15,016)	(14,842)	(13,086)	(12,985)
TOTAL GENERAL ADMINISTRATION		**(115,663)**	**(99,818)**	**(97,187)**	**(90,542)**
TOTAL NON-INTEREST EXPENSES		**(118,000)**	**(102,155)**	**(99,765)**	**(93,120)**
PROFIT BEFORE INCOME TAX		**43,201**	**43,115**	**42,219**	**41,817**
Income tax expense	3	(12,930)	(12,903)	(12,156)	(12,035)
PROFIT AFTER INCOME TAX		**30,271**	**30,212**	**30,063**	**29,782**
Other comprehensive income					
Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	21	(2,984)	(2,984)	(4,465)	(4,465)
Non-operating income received on transfer of business					
- Unicredit		13,734	13,734	-	-
TOTAL COMPREHENSIVE INCOME		**41,021**	**40,962**	**25,598**	**25,317**

STATEMENT OF CHANGES IN MEMBER EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	CAPITAL RESERVE $'000	GENERAL RESERVE FOR CREDIT LOSSES $'000	CASH FLOW HEDGE RESERVE $'000	RETAINED EARNINGS $'000	TOTAL MEMBERS' EQUITY $'000
CONSOLIDATED					
Balance at 1 July 2014	553	13,690	(2,156)	358,733	370,820
Total comprehensive income for the year – as reported	-	-	(4,465)	30,063	25,598
Subtotal	553	13,690	(6,621)	388,796	396,418
Transfers to (from) reserves	35	(4,218)	-	4,183	-
TOTAL AT 30 JUNE 2015	**588**	**9,472**	**(6,621)**	**392,979**	**396,418**
CONSOLIDATED					
Balance at 1 July 2015	588	9,472	(6,621)	392,979	396,418
Total comprehensive income for the year – as reported	-	-	(2,984)	30,271	27,287
Sub-total	588	9,472	(9,605)	423,250	423,705
Receipts from transfer of business	-	-	-	14,322	14,322
Transfers to (from) reserves	38	422	-	(396)	64
TOTAL AT 30 JUNE 2016	**626**	**9,894**	**(9,605)**	**437,176**	**438,091**
PARENT					
Balance at 1 July 2014	553	13,690	(2,156)	358,733	370,820
Total comprehensive income for the year – as reported	-	-	(4,465)	29,782	25,317
Sub-total	553	13,690	(6,621)	388,515	396,137
Transfers to (from) reserves	35	(4,218)	-	4,183	-
TOTAL AT 30 JUNE 2015	**588**	**9,472**	**(6,621)**	**392,698**	**396,137**
PARENT					
Balance at 1 July 2015	588	9,472	(6,621)	392,698	396,137
Total comprehensive income for the year – as reported	-	-	(2,984)	30,212	27,228
Sub-total	588	9,472	(9,605)	422,910	423,365
Receipts from transfer of business	-	-	-	13,734	13,734
Transfers to (from) reserves	38	422	-	(460)	-
TOTAL AT 30 JUNE 2016	**626**	**9,894**	**(9,605)**	**436,184**	**437,099**

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE(S)	2016 $'000		2015 $'000	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
ASSETS					
Cash on hand and deposits at call		173,437	173,437	87,285	87,285
Receivables from financial institutions	4	708,931	708,931	639,627	639,627
Derivative assets held for hedging purposes	5	5	5	326	326
Receivables	6	12,889	12,334	10,837	10,830
Prepayments		3,156	3,148	2,653	2,650
Loans and advances to members	7 & 8	4,595,615	4,595,615	4,076,772	4,076,772
Available for sale investments	9	4,737	4,737	4,382	4,382
Investments in controlled entities	10	-	147	-	1
Property, plant and equipment	11	30,856	30,850	28,671	28,668
Taxation assets	12	7,647	7,566	6,946	6,920
Intangible assets	13	5,739	5,739	4,859	4,859
TOTAL ASSETS		**5,543,012**	**5,542,509**	**4,862,358**	**4,862,320**
LIABILITIES					
Borrowings		-	-	3,428	3,428
Wholesale sector funding	14	419,642	419,642	358,614	358,614
Retail deposits	15	4,635,571	4,636,734	4,071,694	4,072,206
Derivative liabilities	5	10,088	10,088	7,429	7,429
Creditors accruals and settlement accounts	16	23,467	22,958	10,932	10,824
Taxation liabilities	17	1,206	1,212	894	808
Provisions	18	14,947	14,776	12,949	12,874
TOTAL LIABILITIES		**5,104,921**	**5,105,410**	**4,465,940**	**4,466,183**
NET ASSETS		**438,091**	**437,099**	**396,418**	**396,137**
MEMBERS' EQUITY					
Capital reserve account	19	626	626	588	588
General reserve for credit losses	20	9,894	9,894	9,472	9,472
Cash flow hedge reserve	21	(9,605)	(9,605)	(6,621)	(6,621)
Retained earnings		437,176	436,184	392,979	392,698
TOTAL MEMBERS' EQUITY		**438,091**	**437,099**	**396,418**	**396,137**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE(S)	2016 $'000		2015 $'000	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		236,610	236,610	234,040	234,039
Fees and commissions		35,184	19,261	25,905	18,865
Dividends received		671	671	621	621
Other non-interest income received		1,462	1,417	1,270	1,270
Interest paid on deposits		(113,842)	(113,832)	(117,173)	(117,179)
Borrowing costs		(14)	(14)	(16)	(16)
Expenses paid to suppliers and staff		(108,507)	(92,674)	(91,432)	(84,972)
Income tax paid		(13,190)	(13,177)	(14,932)	(14,873)
Net increase in loans and advances to members		(369,600)	(369,600)	(395,163)	(395,163)
Net increase in retail deposits		391,435	391,548	399,725	400,244
NET CASH FLOWS FROM OPERATING ACTIVITIES	**35b**	**60,209**	**60,210**	**42,845**	**42,836**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(3,675)	(3,676)	(6,161)	(6,152)
Acquisition of intangible assets		(3,013)	(3,013)	(2,252)	(2,252)
Sale of property, plant and equipment		217	217	489	489
Increase (decrease) in deposits with other financial institutions		(37,841)	(37,841)	(99,716)	(99,716)
Net cash received on transfer of business		12,976	12,976	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(31,336)**	**(31,337)**	**(107,640)**	**(107,631)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		60,707	60,707	37,559	37,559
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**60,707**	**60,707**	**37,559**	**37,559**
CASH HELD					
Net increase (decrease) in cash held		89,580	89,580	(27,236)	(27,236)
Add opening cash brought forward		83,857	83,857	111,093	111,093
CLOSING CASH CARRIED FORWARD	**35a**	**173,437**	**173,437**	**83,857**	**83,857**

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Teachers Mutual Bank Limited (the Parent) and its controlled entities Q.T. Travel Pty. Ltd, Tertiary Travel Service Pty Ltd and Edsec Funding Trust No. 1 for the year ended 30 June 2016. The report was authorised for issue on 29 August 2016, in accordance with a resolution of the Board of Directors.

The financial report is presented in Australian dollars. The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), Interpretations of the Australian Accounting Standards Board, and the Corporations Act 2001 (Cth). Compliance with AIFRS ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS). The Parent is a for-profit entity for the purpose of preparing the financial statements.

A. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent and its controlled entities (the Group). A controlled entity is an entity that the Parent may govern directly or indirectly.

Inter-company balances and transactions of the Group, including unrealised profits or losses are eliminated on consolidation. The financial statements of the controlled entities apply accounting periods consistent with the Parent.

Where subsidiaries have entered or left the Group during the year, the operating results of subsidiaries are included from the date that control was obtained or to the date that control ceased.

B. BASIS OF MEASUREMENT

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

C. LOANS TO MEMBERS

BASIS OF RECOGNITION

Loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the expected life of the loan using the effective interest method.

Loans to members are reported at their recoverable amount, representing the aggregate amount of principal and unpaid interest owing to the Group at balance date less any allowance or provision against debts considered doubtful.

Loan impairment is recognised when there is doubt as to the collection of repayments in accordance with the loan agreement. Impairment charges are determined on a portfolio basis using credit grading processes, and through specific assessment of loans exhibiting possible impairment characteristics.

Bad debts are written off when identified and are recognised as expenses in the statement of comprehensive income.

All loans and advances are reviewed and graded according to the assessed level of credit risk. The classification adopted is described below.

Non-accrual loans are loans and advances, including savings accounts drawn past their approved credit limit, where the recovery of all interest and principal is considered to be reasonably doubtful. Interest charged and not received on this class of loan is not recognised as revenue.

Restructured loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities of comparable risk. Loans where interest has been stopped or is less than the Group's average cost of funds are included in non-accrual loans.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans are loans where payments of principal or interest are at least 30 days in arrears and are not non-accrual loans or restructured loans. Full recovery of both principal and interest is expected.

INTEREST EARNED

Variable and fixed rate loan interest is calculated on the daily balance outstanding and is charged in arrears on the last day of each month. All home loans are secured by registered mortgages. Other loans are assessed on an individual basis.

Fixed interest loan interest is calculated at a fixed rate on the daily balance and is charged in arrears on the last day of each month.

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

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

Credit card interest is calculated on the outstanding balance, after any interest-free period applicable, that has not been paid for by the due date. Interest is charged in arrears on the last day of the statement period.

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

LOAN ORIGINATION FEES

Loan establishment fees are initially deferred as part of the loan balance. The fees are brought to account as income over the expected life of the loan, as part of interest revenue.

TRANSACTION COSTS

Transaction costs are expenses directly related to the establishment of the loan. These costs are initially deferred as part of the loan balance and are recognised as a reduction to interest revenue over the expected life of the loan.

BROKER COMMISSIONS

Upfront commissions paid to brokers are initially deferred as part of the loan balance and are recognised as a reduction to interest revenue over the expected life of the loan.

Trailing commissions paid to brokers after loan origination are recognised as an administration expense.

FEES ON LOANS

Fees charged on loans after origination are recognised as income when the service is provided or costs are incurred.

THE REPO SECURITISATION TRUST CONSOLIDATION

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

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

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

The Group presents a set of financial statements representing:

1. The financial performance and financial position of the Parent consisting of the bank and the securitisation trust; and
2. The consolidated financial performance and financial position of the Group consisting of the Parent, the securitisation trust and any subsidiaries.

D. LOAN IMPAIRMENT

SPECIFIC PROVISION

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

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

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

GENERAL RESERVE FOR CREDIT LOSSES

The general reserve for credit losses is a reserve in respect of credit losses prudently estimated but are not certain to arise over the life of individual loan facilities provided by the Group.

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

E. BAD DEBTS WRITTEN OFF

Loan balances are written off when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are recognised as expenses in the statement of comprehensive income.

F. PROPERTY, PLANT AND EQUIPMENT

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

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

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

G. INTANGIBLE ASSETS

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

H. CASH AND CASH EQUIVALENTS

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

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

I. RECEIVABLES FROM FINANCIAL INSTITUTIONS

Term deposits, Negotiable Certificates of Deposit (NCDs) and Floating Rate Notes (FRNs) are unsecured and are recorded at their purchase price. Interest on term deposits and NCDs are calculated on the daily balance and paid at maturity. Interest on FRNs is calculated on the daily balance and paid at each repricing date. All deposits are in Australian currency. Accrued interest is calculated on a proportional basis of the expired period of the term of the investment and included in receivables in the statement of financial position. All receivables from financial institutions are intended to be held to maturity.

J. DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE SWAPS

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

HEDGE ACCOUNTING

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

Fair values of derivative instruments used for hedging purposes are provided at Note 27. Movements in the hedging reserve are provided at Note 21.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

K. EQUITY INVESTMENTS AND OTHER SECURITIES

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables or investments held for trading.

Investments in shares which do not have a ready market and are not capable of being reliably valued are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for amortisation. All investments are in Australian currency.

L. INVESTMENT IN CONTROLLED ENTITIES

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

M. RETAIL DEPOSITS

BASIS FOR DETERMINATION

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

INTEREST PAYABLE

SAVINGS

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

FIXED TERM DEPOSITS

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

N. WHOLESALE SECTOR FUNDING

BASIS FOR DETERMINATION

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

INTEREST PAYABLE

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

O. BORROWINGS

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

P. PROVISION FOR EMPLOYEE BENEFITS

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

Q. LEASEHOLD ON PREMISES

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

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

R. INCOME TAX

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

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

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

S. GOODS AND SERVICES TAX (GST)

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

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

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

T. BUSINESS COMBINATIONS

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

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

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

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

U. IMPAIRMENT OF ASSETS

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

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

V. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management has made judgements when applying the Group's accounting policies with respect to the classification of assets as available for sale.

The detail of the critical accounting estimates and assumptions are set out in Note 8 for the impairment provisions for loans.

W. ASSETS MEASURED AT FAIR VALUE

Assets measured at fair value have been classified in accordance with the following hierarchy:

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

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

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

X. PRIOR PERIOD RESTATEMENT

The Group reviewed the long service leave provision during the year. An adjustment to the balance was processed to correctly account for long service leave taken. Refer to Note 38 for the financial statement line items affected.

Y. NEW OR EMERGING STANDARDS NOT YET MANDATORY

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 30 June 2016. The Group's assessment of the impact of these new standards and interpretations is set out below.

EMERGING STANDARDS

AASB REFERENCE	NATURE OF CHANGE	APPLICATION DATE	IMPACT ON INITIAL APPLICATION
AASB 9 Financial Instruments (December 2015)	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9: - Classification and measurement of financial liabilities; and - Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Financial assets that are debt instruments will be classified according to the objectives of the business model for managing those assets and the characteristics of their cash flows. Recognition of credit losses are to no longer be dependent on the Group's first identifying a credit loss event. The Group will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments. The rules for hedge accounting have been overhauled to better reflect the Group's underlying risk management activities in the financial statements.	Periods beginning on or after 1 January 2018	The Group has not yet made a detailed assessment of the impact of these amendments because: (i) the amendments were only recently released; (ii) adoption is only mandatory for the 30 June 2019 year end, and (iii) the revised Standard is not permitted to be early adopted until at least the year ended 30 June 2016. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue.	Periods beginning on or after 1 January 2017	The Group is yet to make a detailed assessment of the impact of AASB 15. However, based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted.
AASB 16 Leases (Replaces AASB 117)	Replaces AASB 117 Leases and some lease-related interpretations. Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low-value asset leases. Provides new guidance on the application of the definition of lease and on sale and lease back accounting. Requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019	The Group is yet to undertake a detailed assessment of the impact of AASB 16. The Group's preliminary assessment is that the Standard will not have a material impact on transactions and balances recognised when first adopted for the year ending 30 June 2020.

2. INCOME STATEMENT

A. ANALYSIS OF INTEREST REVENUE

INTEREST REVENUE	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Cash - deposits at call	3,320	3,320	4,005	4,005
Receivables from financial institution deposits	19,299	19,299	18,484	18,484
Loans and advances to members	214,148	214,148	205,368	205,368
Derivatives interest income	76	76	16	16
Other	67	67	4	3
TOTAL INTEREST REVENUE	**236,910**	**236,910**	**227,877**	**227,876**

B. NON-INTEREST REVENUE

FEE AND COMMISSION REVENUE	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Loan fee income - other than loan origination fees	3,283	3,283	2,845	2,845
Other fee income	4,565	4,565	4,942	4,942
Insurance commissions	4,274	4,274	5,148	5,148
Other commissions	6,275	6,275	5,860	5,860
TOTAL FEE AND COMMISSION REVENUE	**18,397**	**18,397**	**18,795**	**18,795**
OTHER INCOME				
Dividends received on available for sale assets	671	671	621	621
Bad debts recovered	1,102	1,102	967	967
Gain on disposal of assets:				
- Property, plant and equipment	217	217	489	489
Transfers from provisions:				
- Impairment losses on loans and advances	-	-	311	311
- Annual leave	-	-	-	-
- Sick leave	37	37	-	-
Director development	-	-	3	3
Travel income from sales	15,981	-	6,637	-
Miscellaneous revenue	1,367	1,425	1,670	1,267
TOTAL NON-INTEREST REVENUE	**37,772**	**21,849**	**29,493**	**22,453**

C. INTEREST EXPENSES

INTEREST EXPENSE	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Overdraft	14	14	16	16
Short-term borrowing	-	-	-	-
Wholesale sector funding	10,672	10,672	10,420	10,420
Wholesale deposits	42	42	-	-
Retail deposits	98,503	98,511	102,765	102,771
Derivatives interest expense	4,246	4,246	2,181	2,181
Other	4	4	4	4
TOTAL INTEREST EXPENSES	**113,481**	**113,489**	**115,386**	**115,392**

D. IMPAIRMENT LOSSES

LOANS AND ADVANCES CARRIED AT AMORTISED COST	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Increase in provision for impairment	126	126	-	-
Bad debts written off directly against profit	2,211	2,211	2,578	2,578
TOTAL IMPAIRMENT LOSSES	**2,337**	**2,337**	**2,578**	**2,578**

E. PRESCRIBED EXPENSE DISCLOSURES

EMPLOYEE COSTS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Personnel costs	48,797	47,799	44,219	43,620
Superannuation contributions	4,224	4,138	3,684	3,638
Net movement in provisions for employee annual leave	278	278	124	124
Net movement in provisions for employee long service leave	1,377	1,377	444	444
Net movement in provisions for employee sick leave	-	-	2	2
SUB-TOTAL	**54,676**	**53,592**	**48,473**	**47,828**
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	663	663	621	621
Plant and equipment	3,111	3,104	2,915	2,908
Leasehold improvements (including lease make good provisions)	82	82	37	37
Written down value of assets disposed	357	357	534	534
Intangible assets - computer software	2,051	2,051	1,643	1,643
SUB-TOTAL	**6,264**	**6,257**	**5,750**	**5,743**
AUDITOR'S REMUNERATION (EXCLUDING GST)				
Audit and review of financial statements:				
- Auditor services - Grant Thornton	180	166	159	159
Other services:				
- Other services - compliance	2	2	2	2
- Other services - other	16	16	17	11
SUB-TOTAL	**198**	**184**	**178**	**172**
OTHER OPERATING EXPENSES				
Transaction expenses	12,100	12,100	11,172	11,172
Information technology	9,988	9,956	9,930	9,924
Office occupancy	3,071	3,071	2,892	2,890
Net movement on provision for director development	5	5	-	-
Research, marketing, sponsorships and events	5,114	5,119	4,440	4,450
Professional fees	1,177	1,177	1,112	1,112
Travel cost of sales	14,548	-	5,884	-
Other administration	8,522	8,357	7,356	7,251
SUB-TOTAL	**54,525**	**39,785**	**42,786**	**36,799**
TOTAL GENERAL ADMINISTRATION	**115,663**	**99,818**	**97,187**	**90,542**

3. INCOME TAX EXPENSE

A. THE INCOME TAX EXPENSE COMPRISES AMOUNTS SET ASIDE AS:

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Provision for income tax - current year	13,464	13,434	12,561	12,476
Under (over) provision in prior years	74	74	(407)	(407)
Decrease (increase) in the deferred tax asset	(608)	(605)	2	(34)
INCOME TAX EXPENSE ATTRIBUTABLE TO PROFIT	**12,930**	**12,903**	**12,156**	**12,035**

B. THE PRIMA FACIE TAX PAYABLE ON PROFIT IS RECONCILED TO THE INCOME TAX EXPENSE IN THE ACCOUNTS AS FOLLOWS:

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
PROFIT	**43,201**	**43,115**	**42,219**	**41,817**
Prima facie tax payable on operating profit before income tax at 30%	12,960	12,935	12,666	12,545
Add: - Tax effect of expenses not deductible	72	72	75	75
Less: - Tax effect of income not assessable	(1)	(1)	(1)	(1)
SUB-TOTAL	**13,031**	**13,006**	**12,740**	**12,619**
Add: - Adjustments to recognise deferred tax assets	634	629	7	43
Less: - Franking rebate	(201)	(201)	(186)	(186)
CURRENT INCOME TAX PROVISION ATTRIBUTABLE TO PROFIT	**13,464**	**13,434**	**12,561**	**12,476**

C. FRANKING CREDITS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	**167,935**	**167,559**	**154,532**	**154,362**

4. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Negotiable certificates of deposit	403,611	403,611	440,994	440,994
Term deposits	-	-	-	-
Floating rate notes	276,580	276,580	172,000	172,000
Other	28,740	28,740	26,633	26,633
TOTAL RECEIVABLES FROM FINANCIAL INSTITUTIONS	**708,931**	**708,931**	**639,627**	**639,627**

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2016 $'000		2015 $'000	
DERIVATIVES DESIGNATED AS CASH FLOW HEDGES	**PARENT & CONSOLIDATED**		**PARENT & CONSOLIDATED**	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	5	10,088	326	7,429

	2016 $'000	2015 $'000
NET MOVEMENT ON DERIVATIVES DURING THE YEAR	**PARENT & CONSOLIDATED**	**PARENT & CONSOLIDATED**
Recognised in interest income	6	(306)
Charged to comprehensive income	(2,984)	(4,465)
TOTAL	**(2,978)**	**(4,771)**

	2016 $'000			2015 $'000		
NOTIONAL PRINCIPAL AMOUNTS AND PERIOD OF EXPIRY OF THE INTEREST RATE SWAP CONTRACTS	**PARENT & CONSOLIDATED**			**PARENT & CONSOLIDATED**		
	Pay Fixed	Receive Fixed	Notional Amount	Pay Fixed	Receive Fixed	Notional Amount
Within 1 year	296,700	-	296,700	48,800	-	48,800
>1 to 2 years	262,000	-	262,000	295,200	-	295,200
>2 to 3 years	258,200	-	258,200	252,000	-	252,000
>3 to 4 years	36,600	-	36,600	38,200	-	38,200
>4 to 5 years	48,400	-	48,400	27,100	-	27,100
>5 years	-	-	-	1,000	-	1,000
TOTAL	**901,900**	**-**	**901,900**	**662,300**	**-**	**662,300**

6. RECEIVABLES

	2016 $'000		2015 $'000	
	CONSOLIDATED	**PARENT**	**CONSOLIDATED**	**PARENT**
Interest receivable on deposits with other financial institutions	3,992	3,992	3,676	3,676
Sundry debtors and settlement accounts	8,897	8,342	7,161	7,154
TOTAL RECEIVABLES	**12,889**	**12,334**	**10,837**	**10,830**

7. LOANS AND ADVANCES

A. AMOUNT DUE

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Overdrafts and credit cards	100,442	100,442	97,424	97,424
Term loans	4,494,509	4,494,509	3,979,779	3,979,779
Overdrawn savings	115	115	213	213
SUB-TOTAL	**4,595,066**	**4,595,066**	**4,077,416**	**4,077,416**
Add: - Amortised loan origination transaction costs and broker commission net of fees	2,588	2,588	1,268	1,268
SUB-TOTAL	**4,597,654**	**4,597,654**	**4,078,684**	**4,078,684**
Less: - Provision for impaired loans as detailed in Note 8	(2,039)	(2,039)	(1,912)	(1,912)
TOTAL LOANS AND ADVANCES TO MEMBERS	**4,595,615**	**4,595,615**	**4,076,772**	**4,076,772**

B. CREDIT QUALITY - SECURITY HELD AGAINST LOANS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Secured by mortgage over real estate	4,346,776	4,346,776	3,806,335	3,806,335
Partly secured by goods mortgage	17,016	17,016	24,913	24,913
Wholly unsecured	231,274	231,274	246,168	246,168
TOTAL	**4,595,066**	**4,595,066**	**4,077,416**	**4,077,416**

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

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:

- Loan to valuation ratio of less than 80%	3,347,825	3,347,825	2,792,630	2,792,630
- Loan to valuation ratio of more than 80% but mortgage insured	787,999	787,999	798,402	798,402
- Loan to valuation ratio of more than 80% and not mortgage insured	210,952	210,952	215,303	215,303
TOTAL	**4,346,776**	**4,346,776**	**3,806,335**	**3,806,335**

C. CONCENTRATION OF LOANS

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

i) There are no members who individually or collectively have loans, which represent 10% or more of members' equity.
ii) Details of classes of loans, which represent in aggregate, 10% or more of members' equity, are set out below.

	2016 $'000	2015 $'000
BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:	PARENT & CONSOLIDATED	PARENT & CONSOLIDATED
NSW Department of Education	1,598,585	1,541,178
State Super Financial Services	143,795	126,532
WA Department of Education	108,988	91,995
ACT Department of Treasury	92,785	84,285
Catholic Education Office	64,676	63,996
Teachers Mutual Bank Limited employees	58,548	45,764

NUMBER OF MEMBERSHIPS WITH LOANS WHO ARE RECEIVING PAYMENTS FROM:	2016 NUMBER	2015 NUMBER
NSW Department of Education	13,869	16,770
State Super Financial Services	3,702	3,353
WA Department of Education	539	481
ACT Department of Treasury	534	586
Catholic Education Office	449	488
Teachers Mutual Bank Limited employees	314	245

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

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

	2016 $'000				2015 $'000			
	PARENT & CONSOLIDATED				PARENT & CONSOLIDATED			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	3,532,585	786,521	49	4,319,155	3,323,814	806,583	55	4,130,452
Victoria	146,210	13,660	-	159,870	95,158	13,156	-	108,314
Queensland	182,476	20,171	-	202,647	137,264	18,823	-	156,087
South Australia	28,570	2,303	-	30,873	24,873	2,339	-	27,212
Western Australia	384,654	64,743	729	450,126	202,765	33,006	-	235,771
Tasmania	11,924	2,432	-	14,356	9,714	2360	-	12,074
Northern Territory	18,243	3,841	-	22,084	17,743	3,966	-	21,709
Australian Capital Territory	196,774	31,294	-	228,068	174,000	32,060	-	206,060
Other	47	6,420	-	6,467	101	5,427	-	5,528
TOTAL	**4,501,483**	**931,385**	**778**	**5,433,646**	**3,985,432**	**917,720**	**55**	**4,903,207**

D. LOANS BY PURPOSE

	2016 $'000	2015 $'000
	PARENT & CONSOLIDATED	PARENT & CONSOLIDATED
Housing loans and facilities	4,501,483	3,985,432
Personal loans and facilities	931,385	917,720
TOTAL - HOUSEHOLDS	**5,432,868**	**4,903,152**
Business loans and facilities	778	55
TOTAL	**5,433,646**	**4,903,207**

E. SECURITISED LOANS

NON DERECOGNISED SECURITISED LOANS	2016 $'000	2015 $'000
EdSec Funding Trust No. 1	622,848	563,433

8. PROVISION ON IMPAIRED LOANS

A. TOTAL PROVISION

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Collective provision	1,991	1,991	1,864	1,864
Individual specific provision	48	48	48	48
TOTAL PROVISION	**2,039**	**2,039**	**1,912**	**1,912**

B. MOVEMENT IN THE PROVISION FOR IMPAIRMENT

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	1,912	1,912	2,223	2,223
Add (deduct): Transfers from (to) statement of comprehensive income	127	127	(311)	(311)
CLOSING BALANCE	**2,039**	**2,039**	**1,912**	**1,912**

C. IMPAIRED LOANS WRITTEN OFF

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Amounts written off directly to expense	2,211	2,211	2,578	2,578
TOTAL BAD DEBTS	**2,211**	**2,211**	**2,578**	**2,578**
Bad debts recovered in the period	1,102	1,102	967	967

D. ANALYSIS OF LOANS THAT ARE IMPAIRED OR POTENTIALLY IMPAIRED BY CLASS

In this note:

- Carrying value is equivalent to that stated in the statement of financial position; and
- Value of impaired loans represents 'on-statement of financial position' loan balances and includes non-accrual loans and restructured loans stated in Note 1c.

	2016 $'000			2015 $'000		
	PARENT & CONSOLIDATED			PARENT & CONSOLIDATED		
LOANS TO MEMBERS	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
Housing	4,013,938	12,653	47	3,483,216	11,113	-
Personal	486,463	2,522	900	496,775	3,707	900
Credit card	70,437	1,884	906	70,856	1,993	871
RediCredit	22,889	326	185	26,568	243	140
TOTAL - HOUSEHOLDS	**4,593,727**	**17,385**	**2,038**	**4,077,415**	**17,056**	**1,911**
Business	1,339	1	1	1	1	1
TOTAL	**4,595,066**	**17,386**	**2,039**	**4,077,416**	**17,057**	**1,912**

It is not practicable to determine fair value of collateral at the balance date due to the variety and condition of assets.

E. ANALYSIS OF LOANS THAT ARE IMPAIRED OR POTENTIALLY IMPAIRED BASED ON AGE OF REPAYMENTS OUTSTANDING

	2016 $'000		2015 $'000	
	PARENT & CONSOLIDATED		PARENT & CONSOLIDATED	
	Carrying value	Provision	Carrying value	Provision
Less than 30 days	4,510	44	5,058	-
30 to less than 90 days in arrears	3,260	4	2,570	42
90 to less than 182 days in arrears	3,341	327	4,725	452
182 to less than 273 days in arrears	3,285	307	1,194	229
273 to less than 365 days in arrears	697	293	1,371	180
365 days and over in arrears	229	11	33	33
Overdrawn savings/overlimit facilities over 14 days	2,064	1,053	2,106	976
TOTAL	**17,386**	**2,039**	**17,057**	**1,912**

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

F. LOANS WITH REPAYMENTS PAST DUE BUT NOT REGARDED AS IMPAIRED

Loan balances of $4.428 million are in arrears by at least 30 days and are not considered to be impaired as full recovery of both principal and interest is expected. It is not practicable to determine fair value of collateral at the balance date due to the variety and condition of assets.

LOANS WITH REPAYMENTS PAST DUE BUT NOT IMPAIRED ARE IN ARREARS AS FOLLOWS:

	2016 $'000				2015 $'000			
	PARENT & CONSOLIDATED				PARENT & CONSOLIDATED			
	>1 to 2 months	>2 to 3 months	>6 to 9 months	Total	>1 to 2 months	>2 to 3 months	>6 to 9 months	Total
Housing	2,755	390	592	3,737	1,163	71	-	1,234
Personal	355	51	-	406	1,115	846	-	1,961
Credit card	195	20	-	215	140	16	-	156
RediCredit	68	2	-	70	122	20	-	142
TOTAL	**3,373**	**463**	**592**	**4,428**	**2,540**	**953**	**-**	**3,493**

G. KEY ASSUMPTIONS IN DETERMINING THE PROVISION FOR IMPAIRMENT

The Group has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with loan contracts, or where there is other evidence of potential impairment. The Group estimates potential impairment using the time that the loan is in arrears and historical losses arising in past years whilst ensuring that impairment estimations remain consistent with prudential guidance provided by APRA.

9. AVAILABLE FOR SALE INVESTMENTS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
SHARES IN UNLISTED COMPANIES, AT COST				
- Cuscal Limited (Cuscal)	4,737	4,737	4,382	4,382
TOTAL AVAILABLE FOR SALE INVESTMENTS	**4,737**	**4,737**	**4,382**	**4,382**

DISCLOSURES ON SHARES VALUED WITH UNOBSERVABLE INPUTS

A. CUSCAL LIMITED (CUSCAL)

The shareholding in Cuscal is reported at cost. This company is an APRA Approved Deposit-taking Institution that supplies settlement, transaction processing, card, interchange and other services to organisations including Mutual Banks, Credit Unions and Building Societies. The volume of shares traded is low.

Management have used unobservable inputs to assess the fair value of these shares. Cuscal's financial reports disclose net tangible assets exceeding the value of shares on issue and the fair value of these shares is likely to exceed their cost. However a market value is not able to be readily determined. Dividend return in 2016 was 8.5 cents per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value.

The Group does not intend to dispose of these shares.

10. INVESTMENT IN CONTROLLED ENTITIES

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
SHARES IN SUBSIDIARY				
- Q.T. Travel Pty. Ltd. (Diploma Travel)	-	47	-	47
- Tertiary Travel Service Pty Ltd	-	100	-	-
TOTAL VALUE OF INVESTMENTS	-	147		**47**
Less: Provisions for amortisation - Q.T. Travel Pty. Ltd. (Diploma Travel)	-	-	-	(46)
- Tertiary Travel Service Pty Ltd	-	-	-	-
TOTAL INVESTMENT IN CONTROLLED ENTITIES	**-**	**147**		**1**

This note should be read in conjunction with Note 31(c) of the financial statements.

Q.T. TRAVEL PTY. LTD. TRADING AS DIPLOMA WORLD TRAVEL SERVICE

The shareholding in Diploma World Travel Service (Diploma Travel) is reported at cost. Diploma Travel provides travel services primarily to members of the Group and their families. The impairment recorded in 2015 has been extinguished and the purchase price has been recorded at $46,557. The shares are not able to be traded and are not redeemable.

TERTIARY TRAVEL SERVICE PTY LTD

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

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

NAME OF ENTITY	EQUITY INTEREST		INVESTMENT	
	2016	2015	2016 $'000	2015 $'000
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	100%	100%	46	1
Tertiary Travel Service Pty Ltd	100%	-	100	-

11. PROPERTY, PLANT AND EQUIPMENT

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
LAND, AT COST	**10,209**	**10,209**	**8,633**	**8,633**
Buildings, at cost	25,796	25,796	24,263	24,263
Less: - Provision for depreciation	(14,202)	(14,202)	(13,542)	(13,542)
NET BUILDING	11,594	11,594	10,721	10,721
TOTAL LAND AND BUILDINGS	**21,803**	**21,803**	**19,354**	**19,354**
Plant and equipment, at cost	30,197	30,000	29,154	29,043
Less: - Provision for depreciation	(21,246)	(21,055)	(19,926)	(19,818)
TOTAL PLANT AND EQUIPMENT	**8,951**	**8,945**	**9,228**	**9,225**
Capitalised leasehold improvements, at cost	1,006	1,006	972	972
Less: - Provision for amortisation	(904)	(904)	(883)	(883)
TOTAL CAPITALISED LEASEHOLD IMPROVEMENTS	**102**	**102**	**89**	**89**
TOTAL PROPERTY, PLANT AND EQUIPMENT	**30,856**	**30,850**	**28,671**	**28,668**

MOVEMENT IN ASSET BALANCES DURING THE YEAR

CONSOLIDATED

2016 $'000	LAND	BUILDINGS	PLANT & EQUIPMENT	LEASEHOLD IMPROVEMENT	TOTAL
Opening balance	8,633	10,721	9,228	89	28,671
Additions	-	653	3,255	95	4,003
Transfer of business from Unicredit and subsidiary	1,576	907	76	-	2,559
Less: - Assets disposed	-	(25)	(498)	-	(523)
Less: - Depreciation charge	-	(662)	(3,110)	(82)	(3,854)
CLOSING BALANCE	**10,209**	**11,594**	**8,951**	**102**	**30,856**
2015 $'000					
Opening balance	8,633	10,795	7,070	122	26,620
Additions	-	547	5,601	4	6,152
Less: - Assets disposed	-	-	(529)	-	(529)
Less: - Depreciation charge	-	(621)	(2,914)	(37)	(3,572)
CLOSING BALANCE	**8,633**	**10,721**	**9,228**	**89**	**28,671**

PARENT

2016 $'000	LAND	BUILDINGS	PLANT & EQUIPMENT	LEASEHOLD IMPROVEMENT	TOTAL
Opening balance	8,633	10,721	9,225	89	28,668
Additions	-	653	3,251	95	3,999
Transfer of business from Unicredit	1,576	907	70	-	2,553
Less: - Assets disposed	-	(25)	(498)	-	(523)
Less: - Depreciation charge	-	(662)	(3,103)	(82)	(3,847)
CLOSING BALANCE	**10,209**	**11,594**	**8,945**	**102**	**30,850**
2015 $'000					
Opening balance	8,633	10,795	7,062	122	26,612
Additions	-	547	5,600	4	6,151
Less: - Assets disposed	-	-	(529)	-	(529)
Less: - Depreciation charge	-	(621)	(2,908)	(37)	(3,566)
CLOSING BALANCE	**8,633**	**10,721**	**9,225**	**89**	**28,668**

12. TAXATION ASSETS

DEFERRED TAX ASSETS COMPRISE:	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Accrued expenses not deductible until incurred	172	169	164	164
Provisions for impairment on loans	645	645	602	602
Provisions for employee benefits	4,354	4,302	5,578	5,555
Provisions for other liabilities	1,919	1,895	116	116
Depreciation on fixed assets	277	276	235	235
Prepaid loan expenses	-	-	-	-
Amortisation of intangible assets	12	12	22	22
DEFERRED TAX ASSETS	**7,379**	**7,299**	**6,717**	**6,694**
OTHER TAX ASSETS				
GST	120	119	89	86
Land tax	148	148	140	140
TOTAL TAXATION ASSETS	**7,647**	**7,566**	**6,946**	**6,920**

13. INTANGIBLE ASSETS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Computer software, at cost	16,660	16,612	13,733	13,685
Less: - Provision for amortisation	(10,921)	(10,873)	(8,874)	(8,826)
TOTAL INTANGIBLE ASSETS	**5,739**	**5,739**	**4,859**	**4,859**

MOVEMENT IN BALANCE DURING THE YEAR				
Opening balance	4,859	4,859	4,254	4,254
Additions	3,012	3,012	2,253	2,252
Less: - Amortisation charge	(2,051)	(2,051)	(1,644)	(1,643)
Less: - Assets disposed	(81)	(81)	(4)	(4)
BALANCE AT THE END OF THE YEAR	**5,739**	**5,739**	**4,859**	**4,859**

14. WHOLESALE SECTOR FUNDING

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Negotiable certificates of deposit issued	339,455	339,455	288,448	288,448
Floating rate notes issued	70,146	70,146	70,166	70,166
Wholesale deposits	10,041	10,041	-	-
TOTAL WHOLESALE SECTOR FUNDING	**419,642**	**419,642**	**358,614**	**358,614**

15. RETAIL DEPOSITS

A. RETAIL DEPOSITS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
At call	2,453,559	2,454,722	2,114,599	2,115,111
Term	2,180,238	2,180,238	1,955,435	1,955,435
Member withdrawable shares	1,774	1,774	1,660	1,660
TOTAL RETAIL DEPOSITS	**4,635,571**	**4,636,734**	**4,071,694**	**4,072,206**

B. CONCENTRATION OF LIABILITIES

i) There are no depositors who individually or collectively have deposits which represent 10% or more of total liabilities.
ii) Details of classes of deposits which represent in aggregate 10% or more of total liabilities are set out below:

BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM:	2016 $'000	2015 $'000
State Super Financial Services	1,250,942	1,143,847
NSW Department of Education	632,841	553,426

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM	2016 NUMBER	2015 NUMBER
State Super Financial Services	14,472	13,962
NSW Department of Education	30,207	30,486

iii) GEOGRAPHICAL CONCENTRATIONS	2016 $'000	2015 $'000
New South Wales	4,100,278	3,764,998
Victoria	55,392	45,694
Queensland	77,347	66,512
South Australia	11,840	9,773
Western Australia	218,472	34,874
Tasmania	14,022	13,179
Northern Territory	7,043	7,455
Australian Capital Territory	89,224	81,251
Other	60,982	46,596
TOTAL	**4,634,600**	**4,070,332**

16. CREDITORS, ACCRUALS AND SETTLEMENT ACCOUNTS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Creditors and accruals	4,742	4,233	4,253	4,145
Unearned income	1,258	1,258	965	965
Settlement accounts*	17,467	17,467	5,714	5,714
TOTAL CREDITORS, ACCRUALS AND SETTLEMENT ACCOUNTS	**23,467**	**22,958**	**10,932**	**10,824**

*Settlement accounts have been restated for the 2015 year to include member transaction suspense accounts previously included within Creditors and accruals.

17. TAXATION LIABILITIES

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Current income tax liability	734	740	513	428
Other tax liabilities	472	472	381	380
TOTAL TAXATION LIABILITIES	**1,206**	**1,212**	**894**	**808**
CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance from the previous year	513	428	3,208	3,216
Less: - Paid	(587)	(502)	(2,813)	(2,809)
OVER (UNDER) STATEMENT IN PRIOR YEAR	**(74)**	**(74)**	**395**	**407**
Liability for income tax in current year	13,464	13,434	12,679	12,594
Less: - Instalments paid in current year	(12,693)	(12,657)	(12,166)	(12,166)
Refund due for prior year	(37)	(37)	-	-
CURRENT INCOME TAX LIABILITY	**734**	**740**	**513**	**428**

18. PROVISIONS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Employee entitlements	14,367	14,196	12,654	12,579
Lease make good of premises	163	163	83	83
Director development	217	217	212	212
Other provisions	200	200	-	-
TOTAL PROVISIONS	**14,947**	**14,776**	**12,949**	**12,874**

MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISIONS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	12,654	12,579	12,010	12,010
Less: - Paid	(4,552)	(4,470)	(2,907)	(2,875)
Liability increase (decrease)	6,265	6,087	3,551	3,444
CLOSING BALANCE	**14,367**	**14,196**	**12,654**	**12,579**

MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISIONS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	83	83	79	79
Additional obligation recognised	76	76	-	-
Liability increase	4	4	4	4
CLOSING BALANCE	**163**	**163**	**83**	**83**

MOVEMENT IN DIRECTOR DEVELOPMENT PROVISIONS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	212	212	215	215
Less: - Paid	(27)	(27)	(18)	(18)
Liability increase	32	32	15	15
CLOSING BALANCE	**217**	**217**	**212**	**212**

MOVEMENT IN OTHER PROVISIONS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	-	-	-	-
Less: - Paid	-	-	-	-
Liability increase	200	200	-	-
CLOSING BALANCE	**200**	**200**	**-**	**-**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 1.550%-2.195% (2015: 0.245%-3.305%). The latest annual CPI rate available was used – March 2016 1.3% (March 2015: 1.3%).

Employee entitlements have been restated. Refer to Note 38.

Lease make good: The rates applied to give effect to the discount of cash flows were 1.550%-1.805% (2015: 1.94%-1.99%).

19. CAPITAL RESERVE

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	588	588	553	553
Transfer from retained earnings on share redemptions	38	38	35	35
TOTAL CAPITAL RESERVE	**626**	**626**	**588**	**588**

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

20. GENERAL RESERVE FOR CREDIT LOSSES

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	9,472	9,472	13,690	13,690
Increase (decrease) transfer from retained earnings	422	422	(4,218)	(4,218)
TOTAL GENERAL RESERVE FOR CREDIT LOSSES	**9,894**	**9,894**	**9,472**	**9,472**

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

21. CASH FLOW HEDGE RESERVE

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Opening balance	(6,621)	(6,621)	(2,156)	(2,156)
Increase (decrease) transfer from retained earnings	(2,984)	(2,984)	(4,465)	(4,465)
TOTAL CASH FLOW HEDGE RESERVE	**(9,605)**	**(9,605)**	**(6,621)**	**(6,621)**

CASH FLOW HEDGE RESERVE

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

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

OVERVIEW

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

- market risk
  - interest rate risk
  - equity investments
  - liquidity risk
- credit risk
  - lending
  - investing
- operational risk.

GOVERNANCE

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

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

The Audit Committee assists the Board by:

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

The Risk and Compliance Committee assists the Board by:

- Providing reasonable assurance to the Board that core business goals and objectives are being achieved in an effective and efficient manner, within an appropriate framework of governance, risk management and internal control;
- Monitoring the adequacy, integrity and effectiveness of the internal control environment and risk management processes;
- Reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to; and
- Monitoring compliance with all other internal, regulatory, prudential, legal, industry and ethical requirements and standards.

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

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

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

MARKET RISK

INTEREST RATE RISK

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

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

Primary:

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

Secondary:

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

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

The level of mismatch on the banking book is set out in Note 24. Note 26 displays the period that each asset and liability will reprice as at the balance date.

MARKET RISK - EQUITY INVESTMENTS

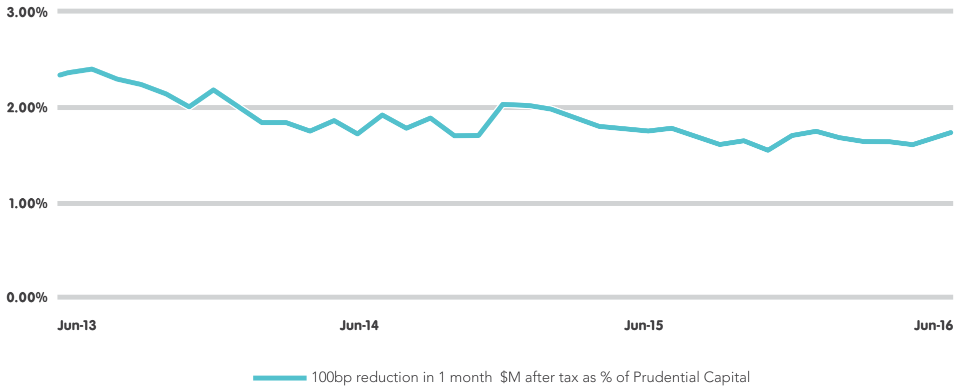
The Group invests in entities established to provide services such as treasury, transactions processing and settlement, and travel services where specialisation demands that quality staff and systems are secured from a single entity. Details of these investments are set out in Note 9.

LIQUIDITY RISK

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

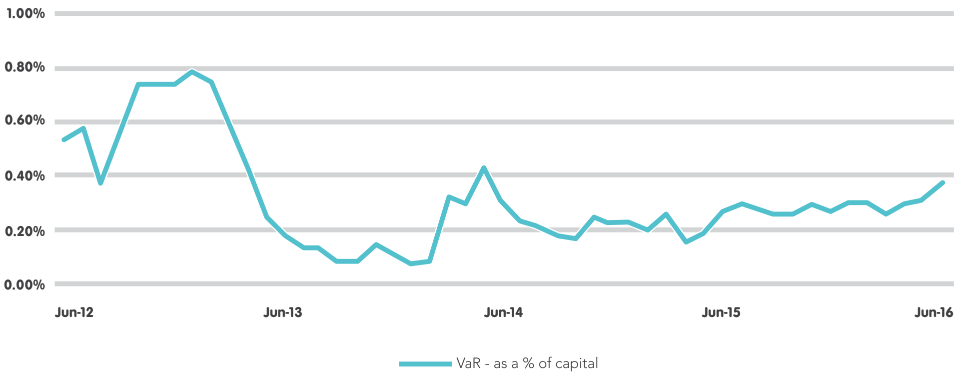
EARNINGS AT RISK (EAR) AS A % OF CAPITAL

1% shock to the market yield curve with corresponding expected changes to product rates.



VALUE AT RISK (VAR) AS A % OF CAPITAL

99% confidence interval,
20-day holding period,
250-day observation period.



Note: A change in methodology was approved effective from April 2015 for sensitivity reporting to treat only rate-locked loans approved not advanced (LANA) as an exposure whereas previously all LANA was treated as an exposure. This change effects Value at Risk and Sensitivity measures.

The Group manages liquidity risk by:

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

The Group has set out the maturity profile of the financial liabilities in Note 24, based on the contractual repayment terms.

The Parent is subject to the minimum liquidity holdings approach under Prudential Standard APS 210 and as such is not required to adopt the liquidity coverage ratio or net stable funding ratio measures. The Parent is required to maintain a minimum of 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Parent's risk appetite is to maintain at least 11% of funds as liquid assets to maintain adequate funds to meet member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and the Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits either from ADIs, retail and wholesale depositors, or borrowing facilities available. Note 29 describes the borrowing facilities available as at the balance date. The Parent also maintains a self-securitisation capability. Note 34 details the balance of loans securitised to create repo-eligible securities.

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

	2016	2015
TOTAL ADJUSTED LIABILITIES	**$5,647,903,796**	**$4,472,015,208**
As at 30 June	15.11%	13.94%
Average for the year	15.11%	15.27%
Minimum during the year	13.26%	13.43%

CREDIT RISK

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

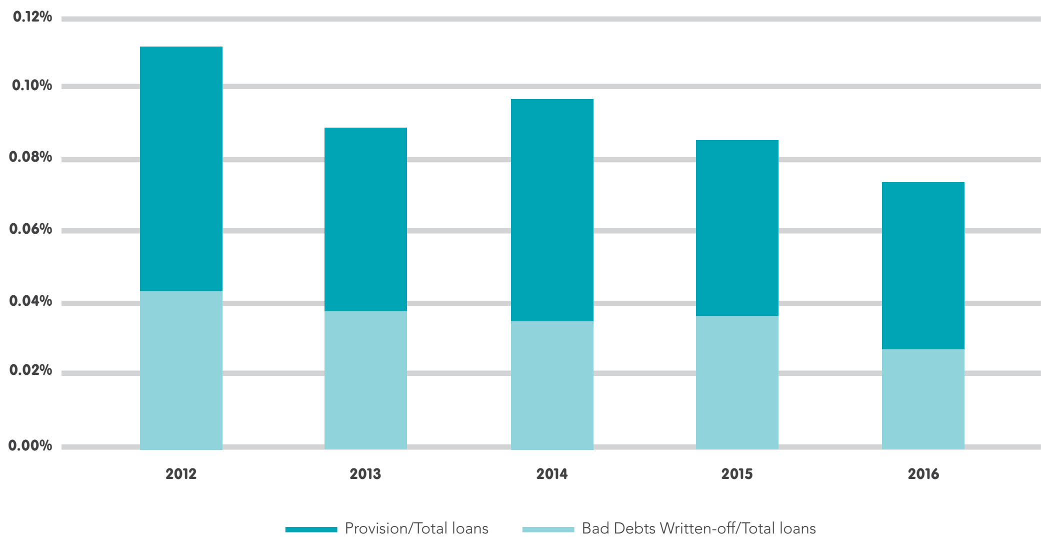
CREDIT RISK - LENDING

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus undrawn facilities consisting of loans approved not advanced, redraw facilities, overdraft facilities, credit card limits and funds held in loan offset accounts. The details are shown in Note 27.

The risk of losses on loans is primarily reduced through the nature and quality of security taken. Note 7b describes the nature of the security held against the loans as at the balance date.

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

TOTAL PROVISION/ TOTAL LOANS AND BAD DEBTS WRITTEN OFF/TOTAL LOANS

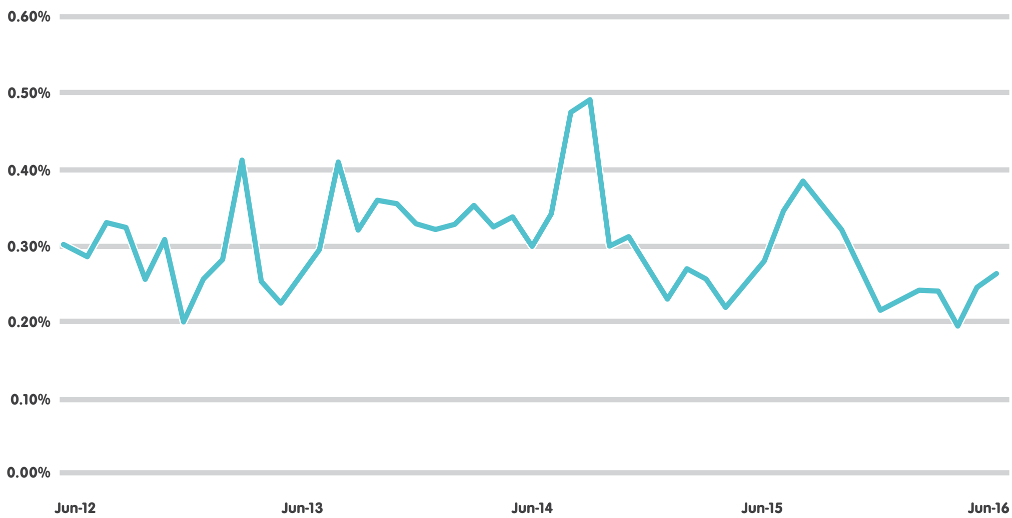


COLLATERAL SECURING LOANS

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

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

PERCENTAGE OF MORTGAGE PORTFOLIO IN ARREARS



Concentrations are described in Note 7c. The Group has a concentration in retail lending to members who are predominantly employees in the Australian education sector and their families. This concentration is considered acceptable on the basis that the Group was formed to service these members, the industry is an essential and stable industry and employment concentration is not restricted to one employer. Should members leave the sector the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

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

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

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

CREDIT RISK – INVESTING

The Group maintains a treasury credit risk policy to limit risk associated with the investment of funds. This policy requires that all high quality liquid investments eligible for inclusion in the regulatory liquidity calculation meet APRA's investment grade rating criteria. Limits are applied across individual counter party, credit grading class and tenor dimensions. Any individual counterparty credit exposure must not exceed 50% of capital. Internal analysis must be conducted before the Asset and Liability Committee (ALCo) approves individual credit limits.

THE EXPOSURE VALUES ASSOCIATED WITH EACH CREDIT QUALITY STEP ARE AS FOLLOWS*:

				2016
INVESTMENTS WITH:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs rated A-1+ to A-1 (short-term)	3	245,279,223	-	-
ADIs rated A-2 or P-2 (short-term)	15	359,166,755	-	-
ADIs rated AA+ to AA- (long-term)	4	160,000,000	-	-
ADIs rated A+ to A- (long-term)	6	91,565,421	-	-
ADIs rated BBB+ (long-term)	4	25,015,061	-	-
TOTAL		**881,026,460**	**-**	**-**

				2015
INVESTMENTS WITH:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs-rated A-1+ to A-1 (short-term)	4	250,942,978	-	-
ADIs-rated A-2 or P-2 (short-term)	10	302,684,535	-	-
ADIs-rated AA+ to AA- (long-term)	4	122,000,000	-	-
ADIs-rated A+ to A- (long-term)	5	37,500,000	-	-
ADIs rated BBB+ (long-term)	1	12,500,000	-	-
TOTAL		**725,627,513**	**-**	**-**

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

OPERATIONAL RISK

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

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

- Segregation of duties;
- Documentation of policies and procedures, employee job descriptions and responsibilities;
- Whistleblowing policies;
- Effective dispute resolution procedures;
- Effective insurance arrangements; and
- Contingency plans for dealing with loss of functionality of systems, premises or data/systems protection.

OPERATIONAL RISK MANAGEMENT

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

The Operational Risk Management Framework is underpinned by a culture of individual accountability and responsibility based on the three lines of defence model, that is represented at an operational level through business units and management as a first line, through designated Risk management and Compliance functions as a second line, and as a third line through Internal Audit and the respective Board subcommittees.

COMPLIANCE

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

FRAUD

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

OUTSOURCING ARRANGEMENTS

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

CUSCAL LIMITED

Cuscal Limited (Cuscal) is an ADI that supplies settlement, transaction processing, card, interchange and other services to other organisations including Banks, Credit Unions and Building Societies. In relation to the Group, Cuscal:

i. Supplies to the Parent rights to issue Visa cards;

ii. Supplies Visa cards;

iii. Provides settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY and Visa card transactions and real-time gross settlement system (RTGS) payments;

iv. Operates the switching computer used to link Visa cards operated through RediATMs and other approved ATM providers to the Parent's computer systems; and

v. Provides RediATM monitoring and replenishment services for the Parent's RediATMs.

ULTRADATA AUSTRALIA PTY LIMITED

Ultradata Australia Pty Limited provides and maintains the core banking software utilised by the Parent.

CAPITAL MANAGEMENT

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

Pillar 1 – Minimum capital requirements, including a specific capital charge for operational risk.

Pillar 2 – Enhanced supervision of capital management including the application of an internal capital adequacy assessment process (ICAAP).

Pillar 3 – More extensive disclosure requirements.

PILLAR 1

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

CREDIT RISK

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

	2016		
ON-STATEMENT OF FINANCIAL POSITION EXPOSURES	**Carrying value**	**Risk weighting /Credit risk mitigation**	**Risk weighted amount**
Cash	1,341,588	-	-
Deposits in highly rated ADIs	415,217,139	20%	83,043,428
Deposits in less highly rated ADIs	465,809,321	50%	232,904,660
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	3,810,387,664	35%	1,333,635,682
Standard loans secured against eligible residential mortgages over 80% LVR	507,142,153	50-75%	255,191,678
Other standard mortgage loans	14,913,781	100%	14,913,781
Non-standard mortgage loans	20,110,054	35-100%	13,279,838
Other loans	240,472,528	0-100%	240,337,885
Other assets	46,750,617	100%	46,750,617
TOTAL	**5,522,144,845**		**2,220,057,569**

	2016				
NON-MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	**Notional principal amount**	**Credit conversion factor**	**Credit equivalent amount**	**Risk weighting**	**Risk weighted amount**
Loans approved and not advanced	131,000,259	100%	131,000,259	35%-100%	57,792,626
Redraws available	411,493,101	50%	205,746,550	35%-100%	75,833,584
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	296,086,769	-	-	-	-
Possible contribution to CUFSS Limited	105,532,616	-	-	-	-
TOTAL	**944,112,845**		**336,746,909**		**133,626,310**

	2016					
MARKET-RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	**Notional principal amount**	**Credit conversion factor**	**Potential future exposure**	**Current exposure**	**Credit equivalent amount**	**Risk weighted amount**
Residual maturity 1 year or less	296,700,000	0.0%	-	-	-	-
Residual maturity > 1 year to 5 years	605,200,000	0.5%	3,026,000	280	3,026,280	605,256
Residual maturity > 5 years	-	1.5%	-	-	-	-
TOTAL	**901,900,000**		**3,026,000**	**280**	**3,026,280**	**605,256**

TOTAL WEIGHTED CREDIT RISK EXPOSURES	**2,354,289,135**

MARKET RISK

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

OPERATIONAL RISK

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

	31-DEC-13	30-JUN-14	31-DEC-14	30-JUN-15	31-DEC-15	30-JUN-16
Total gross outstanding loans and advances for retail banking	3,403,852,715	3,686,723,392	3,836,847,647	4,078,699,699	4,432,278,852	4,595,067,248
- multiplied by 3.5% scaling factor	119,134,845	129,035,319	134,289,668	142,754,489	155,129,760	160,827,354
- multiplied by 12% risk factor	14,296,181	15,484,238	16,114,760	17,130,539	18,615,571	19,299,282
AVERAGE OF THE 6 HALF-YEAR RESULTS = Total operational risk capital requirement for retail banking						**16,823,429**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	759,279,481	627,518,223	768,823,669	698,995,359	852,017,522	853,625,849
- multiplied by 3.5% scaling factor	26,574,782	21,963,138	26,908,828	24,464,838	29,820,613	29,876,905
- multiplied by 15% risk factor	3,986,217	3,294,471	4,036,324	3,669,726	4,473,092	4,481,536
AVERAGE OF THE 6 HALF-YEAR RESULTS = Total operational risk capital requirement for commercial banking						**3,990,228**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR ALL OTHER ACTIVITY

Adjusted gross income	2,484,320	3,524,209	2,568,555	4,978,066	2,835,641	3,939,191
- multiplied by 18% risk factor	447,178	634,358	462,340	896,052	510,415	709,054

OPERATIONAL RISK CAPITAL REQUIREMENT FOR RETAIL BANKING

AVERAGE OF THE 3 ANNUAL RESULTS = Total operational risk capital requirement for all other activity	**1,219,799**
TOTAL OPERATIONAL RISK CAPITAL REQUIREMENT	**22,033,455**
RISK WEIGHTED ASSET (RWA) EQUIVALENT AMOUNT FOR OPERATIONAL RISK CAPITAL REQUIREMENT = Operational risk capital * 12.50	**275,418,189**
TOTAL CREDIT AND OPERATIONAL RISK WEIGHTED	**2,629,707,324**

CAPITAL RESOURCES

TIER 1 CAPITAL

The majority of Tier 1 capital consists of Common Equity Tier 1 Capital, which is our retained earnings.

TIER 2 CAPITAL

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

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

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

CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	**2016**	**2015**
Tier 1 Common equity	424,616,909	379,565,012
Less: - Prescribed deductions	(17,775,815)	(15,934,652)
TIER 1 CAPITAL	**406,841,094**	**363,630,360**
Tier 2 Reserve for credit losses	9,893,556	9,472,250
TIER 2 CAPITAL	**9,893,556**	**9,472,250**
TOTAL CAPITAL	**416,734,650**	**373,102,610**

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

2016	2015	2014	2013	2012
15.85%	15.74%	15.72%	15.98%	15.85%

PILLAR 2 RISK CAPITAL

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

These risks fall into 3 categories:

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

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

RISKS REQUIRING UPLIFT

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

STRATEGIC RISK

- Business environment risk
- Business opportunities

CREDIT RISK

- Investing - counterparty default risk

OPERATIONAL RISK

MARKET RISK

- Liquidity - lack of diversification of funding sources
- Interest rate risk in the banking book

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

INTERNAL CAPITAL ADEQUACY MANAGEMENT

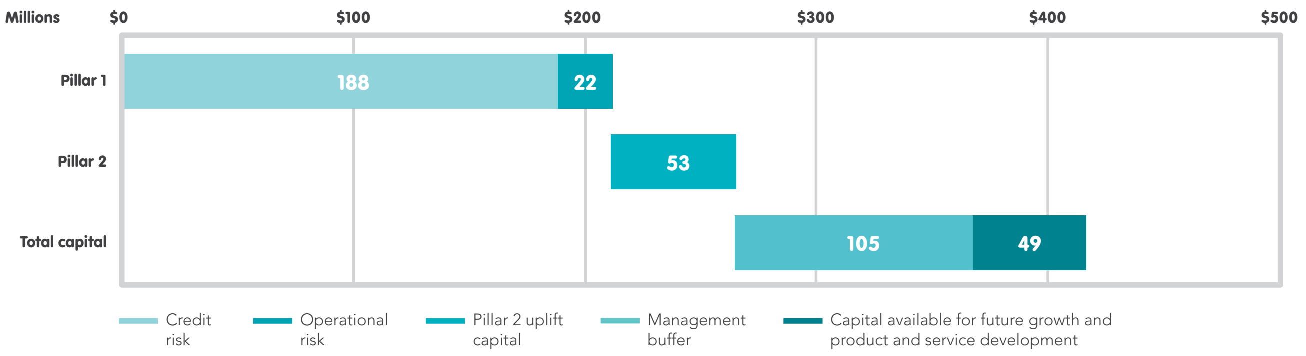
The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Group's forecasts for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

CONTINGENCY BUFFER FOR BUSINESS CYCLE VOLATILITY

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

			2016
	RWA	**Minimum capital required**	**% Equivalent of RWA**
Credit risk	2,354,289,135	188,343,131	8.00%
Operational risk	275,418,189	22,033,455	8.00%
TOTAL	**2,629,707,324**	**210,376,586**	**8.00%**
Pillar 2 uplift capital		52,594,146	2.00%
ICAAP capital required		262,970,732	10.00%
Buffer for business cycle volatility		105,188,293	4.00%
Capital available for future growth and product and service development		48,575,624	1.85%
RISK-BASED CAPITAL RATIO		**416,734,650**	**15.85%**
COMMON EQUITY TIER 1 CAPITAL RATIO		**406,841,094**	**15.47%**
TIER 1 CAPITAL RATIO		**406,841,094**	**15.47%**
TIER 2 CAPITAL RATIO		**9,893,556**	**0.38%**

CATEGORISATION OF CAPITAL



23. CATEGORIES OF FINANCIAL INSTRUMENTS

A. THE FOLLOWING INFORMATION CLASSIFIES THE FINANCIAL INSTRUMENTS INTO MEASUREMENT CLASSES

FINANCIAL ASSETS - CARRIED AT AMORTISED COST	NOTE(S)	2016 $'000		2015 $'000	
		CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Cash on hand and deposits at call		173,437	173,437	87,285	87,285
Receivables from financial institutions	4	708,931	708,931	639,627	639,627
Receivables	6	12,889	12,334	10,837	10,830
Loans and advances to members	7 & 8	4,595,615	4,595,615	4,076,772	4,076,772
TOTAL CARRIED AT AMORTISED COST		**5,490,872**	**5,490,317**	**4,814,521**	**4,814,514**
Cash flow hedge derivative assets - carried at fair value	5	5	5	326	326
Available for sale investment and investments in controlled entities - carried at fair value	9	4,737	4,884	4,382	4,383
TOTAL FINANCIAL ASSETS		**5,495,614**	**5,495,206**	**4,819,229**	**4,819,223**
FINANCIAL LIABILITIES - CARRIED AT AMORTISED COST					
Borrowings		-	-	3,428	3,428
Wholesale sector funding	14	419,642	419,642	358,614	358,614
Retail deposits	15	4,635,571	4,636,734	4,071,694	4,072,206
Creditors, accruals and settlement accounts	16	23,467	22,958	10,932	10,824
TOTAL CARRIED AT AMORTISED COST		**5,078,680**	**5,079,334**	**4,444,668**	**4,445,072**
Cash flow hedge derivative liabilities - carried at fair value	5	10,088	10,088	7,429	7,429
TOTAL FINANCIAL LIABILITIES		**5,088,768**	**5,089,422**	**4,452,097**	**4,452,501**

B. ASSETS MEASURED AT FAIR VALUE

CONSOLIDATED	2016 $'000	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedge derivatives	5	-	5	-
Available for sale investments	4,737	-	-	4,737
TOTAL	**4,742**	**-**	**5**	**4,737**

PARENT	2016 $'000	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedge derivatives	5	-	5	-
Available for sale investments	4,737	-	-	4,737
Investments in controlled entities	147	-	-	147
TOTAL	**4,889**	**-**	**5**	**4,884**

CONSOLIDATED	2015 $'000	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedge derivatives	326	-	326	-
Available for sale investments	4,382	-	-	4,382
TOTAL	**4,708**	**-**	**326**	**4,382**

PARENT	2015 $'000	LEVEL 1	LEVEL 2	LEVEL 3
Cash flow hedge derivatives	326	-	326	-
Available for sale investments	4,382	-	-	4,382
Investments in controlled entities	1	-	-	1
TOTAL	**4,709**	**-**	**326**	**4,383**

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

CASH FLOW HEDGE DERIVATIVES

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

AVAILABLE FOR SALE INVESTMENTS AND INVESTMENTS IN CONTROLLED ENTITIES

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

24. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

CONSOLIDATED

2016 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	173,437	-	-	-	-	-	**173,437**	173,437
Receivables from financial institutions	104,706	131,281	208,864	264,080	-	-	**708,931**	708,931
Receivables	9,939	1,755	2,742	25,091	-	-	**39,527**	12,889
Loans and advances to members	40,866	81,116	358,670	1,315,627	5,706,130	-	**7,502,409**	4,595,615
Available for sale investments	-	-	-	-	-	4,737	**4,737**	4,737
Cash flow hedge derivative assets	10	21	92	245	-	-	**368**	5
TOTAL FINANCIAL ASSETS	**328,958**	**214,173**	**570,368**	**1,605,043**	**5,706,130**	**4,737**	**8,429,409**	**5,495,614**

2016 LIABILITIES $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Borrowings	-	-	-	-	-	-	**-**	-
Wholesale sector funding	106,000	148,000	97,130	73,178	-	-	**424,308**	419,642
Retail deposits	2,228,758	599,095	1,339,979	497,434	-	2,265	**4,667,531**	4,635,571
Creditors, accruals and settlement accounts	23,467	-	-	-	-	-	**23,467**	23,467
Cash flow hedge derivative liabilities	7,414	3,455	3,533	2,321	-	-	**16,723**	10,088
TOTAL FINANCIAL LIABILITIES	**2,365,639**	**750,550**	**1,440,642**	**572,933**	**-**	**2,265**	**5,132,029**	**5,088,768**

PARENT

2016 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	173,437	-	-	-	-	-	**173,437**	173,437
Receivables from financial institutions	104,706	131,281	208,864	264,080	-	-	**708,931**	708,931
Receivables	9,384	1,755	2,742	25,091	-	-	**38,972**	12,334
Loans and advances to members	40,866	81,116	358,670	1,315,627	5,706,130	-	**7,502,409**	4,595,615
Available for sale investments	-	-	-	-	-	4,737	**4,737**	4,737
Investments in controlled entities	-	-	-	-	-	147	**147**	147
Cash flow hedge derivative assets	10	21	92	245	-	-	**368**	5
TOTAL FINANCIAL ASSETS	**328,403**	**214,173**	**570,368**	**1,605,043**	**5,706,130**	**4,884**	**8,429,001**	**5,495,206**

2016 LIABILITIES $'000								
Borrowings	-	-	-	-	-	-	**-**	-
Wholesale sector funding	106,000	148,000	97,130	73,178	-	-	**424,308**	419,642
Retail deposits	2,229,921	599,095	1,339,979	497,434	-	2,265	**4,668,694**	4,636,734
Creditors, accruals and settlement accounts	22,958	-	-	-	-	-	**22,958**	22,958
Cash flow hedge derivative liabilities	7,414	3,455	3,533	2,321	-	-	**16,723**	10,088
TOTAL FINANCIAL LIABILITIES	**2,366,293**	**750,550**	**1,440,642**	**572,933**	**-**	**2,265**	**5,132,683**	**5,089,422**

CONSOLIDATED

2015 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	87,285	-	-	-	-	-	**87,285**	87,285
Receivables from financial institutions	86,691	154,041	256,895	142,000	-	-	**639,627**	639,627
Receivables	8,137	1,959	3,876	16,581	-	-	**30,553**	10,837
Loans and advances to members	39,141	77,637	342,371	1,223,097	5,056,095	-	**6,738,341**	4,076,772
Available for sale investments	-	-	-	-	-	4,382	**4,382**	4,382
Cash flow hedge derivative assets	326	4	18	43	-	-	**391**	326
TOTAL FINANCIAL ASSETS	**221,580**	**233,641**	**603,160**	**1,381,721**	**5,056,095**	**4,382**	**7,500,579**	**4,819,229**

2015 LIABILITIES $'000								
Borrowings	3,428	-	-	-	-	-	**3,428**	3,428
Wholesale sector funding	91,000	116,001	83,000	75,600	-	-	**365,601**	358,614
Retail deposits	1,946,420	538,241	1,174,507	445,485	-	2,908	**4,107,561**	4,071,694
Creditors, accruals and settlement accounts	10,932	-	-	-	-	-	**10,932**	10,932
Cash flow hedge derivative liabilities	3,033	4,994	3,279	4,297	1	-	**15,604**	7,429
TOTAL FINANCIAL LIABILITIES	**2,054,813**	**659,236**	**1,260,786**	**525,382**	**1**	**2,908**	**4,503,126**	**4,452,097**

PARENT

2015 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	87,285	-	-	-	-	-	**87,285**	87,285
Receivables from financial institutions	86,691	154,041	256,895	142,000	-	-	**639,627**	639,627
Receivables	8,130	1,959	3,876	16,581	-	-	**30,546**	10,830
Loans and advances to members	39,141	77,637	342,371	1,223,097	5,056,095	-	**6,738,341**	4,076,772
Available for sale investments	-	-	-	-	-	4,382	**4,382**	4,382
Investments in controlled entities	-	-	-	-	-	1	**1**	1
Cash flow hedge derivative assets	324	4	18	43	-	-	**391**	326
TOTAL FINANCIAL ASSETS	**221,573**	**233,641**	**603,160**	**1,381,721**	**5,056,095**	**4,383**	**7,500,573**	**4,819,223**
2015 LIABILITIES $'000								
Borrowings	3,428	-	-	-	-	-	**3,428**	3,428
Wholesale sector funding	91,000	116,001	83,000	75,600	-	-	**365,601**	358,614
Retail deposits	1,946,932	538,241	1,174,507	445,485	-	2,908	**4,108,073**	4,072,206
Creditors, accruals and settlement accounts	10,824	-	-	-	-	-	**10,824**	10,824
Cash flow hedge derivative liabilities	3,033	4,994	3,279	4,297	1	-	**15,604**	7,429
TOTAL FINANCIAL LIABILITIES	**2,055,217**	**659,236**	**1,260,786**	**525,382**	**1**	**2,908**	**4,503,530**	**4,452,501**

25. CURRENT AND NON-CURRENT MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

CONSOLIDATED

2016 ASSETS $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	173,437	-	**173,437**
Receivables from financial institutions	444,851	264,080	**708,931**
Receivables	12,889	-	**12,889**
Loans and advances to members	266,647	4,328,419	**4,595,066**
Available for sale investments	-	4,737	**4,737**
Cash flow hedge derivative assets	5	-	**5**
TOTAL FINANCIAL ASSETS	**897,829**	**4,597,236**	**5,495,065**
2016 LIABILITIES $'000			
Borrowings	-	-	**-**
Wholesale sector funding	349,496	70,146	**419,642**
Retail deposits	4,145,563	490,008	**4,635,571**
Creditors, accruals and settlement accounts	23,467	-	**23,467**
Cash flow hedge derivative liabilities	10,088	-	**10,088**
TOTAL FINANCIAL LIABILITIES	**4,528,614**	**560,154**	**5,088,768**

PARENT

2016 ASSETS $'000	**Within 12 months**	**After 12 months**	**Total**
Cash on hand and deposits at call	173,437	-	**173,437**
Receivables from financial institutions	444,851	264,080	**708,931**
Receivables	12,334	-	**12,334**
Loans and advances to members	266,647	4,328,419	**4,595,066**
Available for sale investments	-	4,737	**4,737**
Investments in controlled entities	-	147	**147**
Cash flow hedge derivative assets	5	-	**5**
TOTAL FINANCIAL ASSETS	**897,274**	**4,597,383**	**5,494,657**

2016 LIABILITIES $'000			
Borrowings	-	-	**-**
Wholesale sector funding	349,496	70,146	**419,642**
Retail deposits	4,146,726	490,008	**4,636,734**
Creditors, accruals and settlement accounts	22,958	-	**22,958**
Cash flow hedge derivative liabilities	10,088	-	**10,088**
TOTAL FINANCIAL LIABILITIES	**4,529,268**	**560,154**	**5,089,422**

CONSOLIDATED

2015 ASSETS $'000	**Within 12 months**	**After 12 months**	**Total**
Cash on hand and deposits at call	87,285	-	**87,285**
Receivables from financial institutions	497,627	142,000	**639,627**
Receivables	10,837	-	**10,837**
Loans and advances to members	260,607	3,816,809	**4,077,416**
Available for sale investments	-	4,382	**4,382**
Cash flow hedge derivative assets	326	-	**326**
TOTAL FINANCIAL ASSETS	**856,682**	**3,963,191**	**4,819,873**

2015 LIABILITIES $'000			
Borrowings	3,428	-	**3,428**
Wholesale sector funding	288,448	70,166	**358,614**
Retail deposits	3,634,332	437,362	**4,071,694**
Creditors, accruals and settlement accounts	10,932	-	**10,923**
Cash flow hedge derivative liabilities	7,429	-	**7,429**
TOTAL FINANCIAL LIABILITIES	**3,944,569**	**507,528**	**4,452,097**

PARENT

2015 ASSETS $'000	**Within 12 months**	**After 12 months**	**Total**
Cash on hand and deposits at call	87,285	-	**87,285**
Receivables from financial institutions	497,627	142,000	**639,627**
Receivables	10,830	-	**10,830**
Loans and advances to members	260,607	3,816,809	**4,077,416**
Available for sale investments	-	4,382	**4,382**
Investments in controlled entities	-	1	**1**
Cash flow hedge derivative assets	326	-	**326**
TOTAL FINANCIAL ASSETS	**856,675**	**3,963,192**	**4,819,867**

2015 LIABILITIES $'000			
Borrowings	3,428	-	**3,428**
Wholesale sector funding	288,448	70,166	**358,614**
Retail deposits	3,634,844	437,362	**4,072,206**
Creditors, accruals and settlement accounts	10,824	-	**10,824**
Cash flow hedge derivative liabilities	7,429	-	**7,429**
TOTAL FINANCIAL LIABILITIES	**3,944,973**	**507,528**	**4,452,501**

26. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

CONSOLIDATED

2016 ASSETS $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**Non-interest bearing**	**Total**
Cash on hand and deposits at call	172,095	-	-	-	1,342	**173,437**
Receivables from financial institutions	268,734	238,833	201,364	-	-	**708,931**
Receivables	-	-	-	-	12,889	**12,889**
Loans and advances to members	2,501,686	68,979	566,602	1,457,239	560	**4,595,066**
Available for sale investments	-	-	-	-	4,737	**4,737**
Cash flow hedge derivative assets	5	-	-	-	-	**5**
TOTAL FINANCIAL ASSETS	**2,942,520**	**307,812**	**767,966**	**1,457,239**	**19,528**	**5,495,065**

2016 LIABILITIES $'000						
Borrowings	-	-	-	-	-	**-**
Wholesale sector funding	105,906	217,571	96,165	-	-	**419,642**
Retail deposits	2,228,430	596,589	1,320,544	487,743	2,265	**4,635,571**
Creditors, accruals and settlement accounts	-	-	-	-	23,467	**23,467**
Cash flow hedge derivative liabilities	7,303	2,785	-	-	-	**10,088**
On-statement of financial position	2,341,639	816,945	1,416,709	487,743	25,732	**5,088,768**
Undrawn loan commitments (Notes 28a, 28b and 28c)	838,580	-	-	-	-	**838,580**
TOTAL FINANCIAL LIABILITIES	**3,180,219**	**816,945**	**1,416,709**	**487,743**	**25,732**	**5,927,348**

PARENT

2016 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	172,095	-	-	-	1,342	**173,437**
Receivables from financial institutions	268,734	238,833	201,364	-	-	**708,931**
Receivables	-	-	-	-	12,334	**12,334**
Loans and advances to members	2,501,686	68,979	566,602	1,457,239	560	**4,595,066**
Available for sale investments	-	-	-	-	4,737	**4,737**
Investments in controlled entities	-	-	-	-	147	**147**
Cash flow hedge derivative assets	5	-	-	-	-	**5**
TOTAL FINANCIAL ASSETS	**2,942,520**	**307,812**	**767,966**	**1,457,239**	**19,120**	**5,494,657**

2016 LIABILITIES $'000						
Borrowings	-	-	-	-	-	**-**
Wholesale sector funding	105,906	217,571	96,165	-	-	**419,642**
Retail deposits	2,229,593	596,589	1,320,544	487,743	2,265	**4,636,734**
Creditors, accruals and settlement accounts	-	-	-	-	22,958	**22,958**
Cash flow hedge derivative liabilities	7,303	2,785	-	-	-	**10,088**
On-statement of financial position	2,342,802	816,945	1,416,709	487,743	25,223	**4,452,097**
Undrawn loan commitments (Notes 28a, 28b and 28c)	838,580	-	-	-	-	**838,580**
TOTAL FINANCIAL LIABILITIES	**3,181,382**	**816,945**	**1,416,709**	**487,743**	**25,223**	**5,928,002**

CONSOLIDATED

2015 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	86,000	-	-	-	1,285	**87,285**
Receivables from financial institutions	191,691	221,041	226,895	-	-	**639,627**
Receivables	-	-	-	-	10,837	**10,837**
Loans and advances to members	2,509,173	39,249	221,068	1,307,713	213	**4,077,416**
Available for sale investments	-	-	-	-	4,382	**4,382**
Cash flow hedge derivative assets	326	-	-	-	-	**326**
TOTAL FINANCIAL ASSETS	**2,787,190**	**260,290**	**447,963**	**1,307,713**	**16,717**	**4,819,873**

2015 LIABILITIES $'000						
Borrowings	3,428	-	-	-	-	**3,428**
Wholesale sector funding	90,896	185,645	82,073	-	-	**358,614**
Retail deposits	1,946,184	535,492	1,152,656	434,454	2,908	**4,071,694**
Creditors, accruals and settlement accounts	-	-	-	-	10,932	**10,932**
Cash flow hedge derivative liabilities	2,951	4,478	-	-	-	**7,429**
On-statement of financial position	2,043,459	725,615	1,234,729	434,454	13,840	**4,452,097**
Undrawn loan commitments (Notes 28a, 28b and 28c)	825,790	-	-	-	-	**825,790**
TOTAL FINANCIAL ASSETS	**2,869,249**	**725,615**	**1,234,729**	**434,454**	**13,840**	**5,277,887**

PARENT

2015 ASSETS $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	86,000	-	-	-	1,285	**87,285**
Receivables from financial institutions	191,691	221,041	226,895	-	-	**639,627**
Receivables	-	-	-	-	10,830	**10,830**
Loans and advances to members	2,509,173	39,249	221,068	1,307,713	213	**4,077,416**
Available for sale investments	-	-	-	-	4,382	**4,382**
Investments in controlled entities	-	-	-	-	1	**1**
Cash flow hedge derivative assets	326	-	-	-	-	**326**
TOTAL FINANCIAL ASSETS	**2,787,190**	**260,290**	**447,963**	**1,307,713**	**16,711**	**4,819,867**

2015 LIABILITIES $'000						
Borrowings	3,428	-	-	-	-	**3,428**
Wholesale sector funding	90,896	185,645	82,073	-	-	**358,614**
Retail deposits	1,946,696	535,492	1,152,656	434,454	2,908	**4,072,206**
Creditors, accruals and settlement accounts	-	-	-	-	10,824	**10,824**
Cash flow hedge derivative liabilities	2,951	4,478	-	-	-	**7,429**
On-statement of financial position	2,043,971	725,615	1,234,729	434,454	13,732	**4,452,501**
Undrawn loan commitments (Notes 28a, 28b and 28c)	825,790	-	-	-	-	**825,790**
TOTAL FINANCIAL LIABILITIES	**2,869,761**	**725,615**	**1,234,729**	**434,454**	**13,732**	**5,278,291**

27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

						2016 $'000
			CONSOLIDATED			PARENT
ASSETS	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	173,437	173,437	-	173,437	173,437	-
Receivables from financial institutions	709,056	708,931	125	709,056	708,931	125
Receivables	12,889	12,889	-	12,334	12,334	-
Loans and advances to members	4,609,163	4,595,615	13,548	4,609,163	4,595,615	13,548
Available for sale investments	4,737	4,737	-	4,737	4,737	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative assets	5	5	-	5	5	-
TOTAL FINANCIAL ASSETS	**5,509,287**	**5,495,614**	**13,673**	**5,508,879**	**5,495,206**	**13,673**
LIABILITIES						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	420,281	419,642	639	420,281	419,642	639
Retail deposits	4,638,960	4,635,571	3,389	4,640,123	4,636,734	3,389
Creditors, accruals and settlement accounts	23,467	23,467	-	22,958	22,958	-
Cash flow hedge derivative liabilities	10,088	10,088	-	10,088	10,088	-
TOTAL FINANCIAL LIABILITIES	**5,092,796**	**5,088,768**	**4,028**	**5,093,450**	**5,089,422**	**4,028**

						2015 $'000
			CONSOLIDATED			PARENT
ASSETS	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	87,285	87,285	-	87,285	87,285	-
Receivables from financial institutions	640,492	639,627	865	640,492	639,627	865
Receivables	10,837	10,837	-	10,830	10,830	-
Loans and advances to members	4,085,308	4,076,772	8,536	4,085,308	4,076,772	8,536
Available for sale investments	4,382	4,382	-	4,382	4,382	-
Investments in controlled entities	-	-	-	1	1	-
Cash flow hedge derivative assets	326	326	-	326	326	-
TOTAL FINANCIAL ASSETS	**4,828,630**	**4,819,229**	**9,401**	**4,828,624**	**4,819,223**	**9,401**
LIABILITIES						
Borrowings	3,428	3,428	-	3,428	3,428	-
Wholesale sector funding	359,296	358,614	682	359,296	358,614	682
Retail deposits	4,077,807	4,071,694	6,113	4,078,319	4,072,206	6,113
Creditors, accruals and settlement accounts	10,932	10,932	-	10,824	10,824	-
Cash flow hedge derivative liabilities	7,429	7,429	-	7,429	7,429	-
TOTAL FINANCIAL LIABILITIES	**4,458,892**	**4,452,097**	**6,795**	**4,459,296**	**4,452,501**	**6,795**

Assets where the fair value is lower than the book value have not been written down in the accounts of the Group on the basis that they are to be held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

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

LIQUID ASSETS AND RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

The carrying value of cash is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of NCDs and term deposits from other financial institutions. The rates applied to give effect to the discount of cash flows were 1.85%-2.67% (2015: 2.09%-2.76%). Independent revaluations were used for fixed income security trading margins.

LOANS AND ADVANCES

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

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

The rates applied to give effect to the discount of cash flows were 3.74%-11.50% (2015: 4.15%-11.50%).

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

WHOLESALE SECTOR AND RETAIL DEPOSITS

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

Wholesale sector funding: The rates applied to give effect to the discount of cash flows were 2.00%-2.67% (2015: 2.19%-2.80%).

Retail deposits: The rates applied to give effect to the discount of cash flows were 1.83%-2.99% (2015: 1.98%-3.09%).

Short-term borrowings: The carrying value of payables due to other financial institutions is approximated at fair value as they are short-term in nature and reprice frequently.

28. FINANCIAL COMMITMENTS

A. OUTSTANDING LOAN COMMITMENTS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
LOANS APPROVED BUT NOT FUNDED	**131,000**	**131,000**	**155,966**	**155,966**

B. LOAN REDRAW FACILITIES

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
LOAN REDRAW FACILITIES AVAILABLE	**411,493**	**411,493**	**396,660**	**396,660**

C. UNDRAWN LOAN FACILITIES

LOAN FACILITIES AVAILABLE TO MEMBERS FOR OVERDRAFTS AND CREDIT CARDS ARE AS FOLLOWS:	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Total value of facilities approved	396,382	396,382	370,436	370,436
Less: Amount advanced	(100,295)	(100,295)	(97,272)	(97,272)
NET UNDRAWN VALUE	**296,087**	**296,087**	**273,164**	**273,164**

D. FUTURE CAPITAL COMMITMENTS

THE GROUP HAS ENTERED INTO A CONTRACT TO PURCHASE PLANT AND PROPERTY FOR WHICH THE AMOUNT IS TO BE PAID OVER THE FOLLOWING PERIODS:	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Not later than one year	93	93	1,303	1,303
TOTAL	**93**	**93**	**1,303**	**1,303**

E. COMPUTER CAPITAL COMMITMENTS

	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Not later than one year	68	68	209	209
TOTAL	**68**	**68**	**209**	**209**

F. LEASE EXPENDITURE COMMITMENTS

OPERATING LEASES ON PROPERTY OCCUPIED BY THE GROUP	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Not later than one year	898	898	839	839
Later than 1 year but not 2 years	716	716	790	790
Later than 2 years but not 5 years	274	274	676	676
Over 5 years	-	-	7	7
TOTAL	**1,888**	**1,888**	**2,312**	**2,312**

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

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

29. STANDBY BORROWING FACILITIES

The Group has borrowing facilities as follows:

	2016 $'000		
CONSOLIDATED	Gross	Current borrowings	Net available
Overdraft facility	25,000	-	25,000
TOTAL STANDBY BORROWING FACILITIES	**25,000**	**-**	**25,000**
PARENT			
Overdraft facility	25,000	-	25,000
TOTAL STANDBY BORROWING FACILITIES	**25,000**	**-**	**25,000**

	2015 $'000		
CONSOLIDATED	Gross	Current borrowings	Net available
Overdraft facility	25,060	3,428	21,632
TOTAL STANDBY BORROWING FACILITIES	**25,060**	**3,428**	**21,632**
PARENT			
Overdraft facility	25,000	3,428	21,572
TOTAL STANDBY BORROWING FACILITIES	**25,000**	**3,428**	**21,572**

The Parent has an overdraft facility with Cuscal and maintains a deposit of $77 million with Cuscal to secure this facility and settlement services. No other form of security is provided by the Parent.

Diploma Travel has bank overdraft facilities amounting to $30,000 with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 with the Parent (eliminated upon consolidation). This may be drawn upon at any time, and terminated at any time at the option of the financial institution. At 30 June 2016 none of the facilities were used. Interest rates are variable.

30. CONTINGENT LIABILITIES

LIQUIDITY SUPPORT SCHEME

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

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3.1% of the Parent's total assets (3.0% for non-permanent loans capped at a maximum $100 million and 0.1% under the cap on contributions to permanent loans). This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC.

31. DISCLOSURES ON DIRECTORS, OTHER KEY MANAGEMENT PERSONNEL AND RELATED PARTIES

A. REMUNERATION OF KEY MANAGEMENT PERSONS (KMP)

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

KMP is deemed to comprise the Directors and the seven members of the executive management of the Parent (2015-2016) who are responsible for the day-to-day financial and operational management of the Group.

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

					2016 $'000
DIRECTORS	**Short-term**	**Post-employment**	**Motor vehicle**	**Net increases in long service leave provision**	**Total**
Short-term employee benefits:					
J Kouimanos	93	35	-	-	**128**
L Green	81	9	-	-	**90**
T Carlin	66	6	-	-	**72**
M Collopy	38	44	-	-	**82**
J Leete	66	6	-	-	**72**
G Lockwood	42	32	-	-	**74**
W Ford	56	6	-	-	**62**
M O'Neill	64	6	-	-	**70**
M O'Halloran	61	13	-	-	**74**
Short-term employee benefits - other	6	-	-	-	**6**
Reimbursement to employer	2	-	-	-	**2**
TOTAL	**575**	**157**	**-**	**-**	**732**
Other KMP	3,306	325	71	244	**3,946**

DIRECTORS	Short-term	Post-employment	Motor vehicle	Net increases in long service leave provision	Total
					2015 $'000
Short-term employee benefits:					
J Kouimanos	89	35	-	-	**124**
L Green	78	8	-	-	**86**
T Carlin	64	6	-	-	**70**
M Collopy	36	42	-	-	**78**
J Leete	65	6	-	-	**71**
G Lockwood	40	35	-	-	**75**
C McEvedy*	51	5	-	-	**56**
M O'Neill	64	6	-	-	**70**
M O'Halloran	61	10	-	-	**71**
Short-term employee benefits – other	3	-	-	-	**3**
Reimbursement to employer	11	-	-	-	**11**
TOTAL	**562**	**153**	**-**	**-**	**715**
Other KMPs	3,070	290	68	261	**3,689**

*Resigned 15 April 2015.

Remuneration shown as short-term employee benefits comprises wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses, value of fringe benefits received, and excludes out-of-pocket expense reimbursements.

All remuneration to Directors was approved by members at the previous Annual General Meeting.

Post-employment comprises contributions to superannuation, including those made under salary sacrifice arrangements.

B. LOANS TO DIRECTORS AND OTHER KMP

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

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

	2016 $'000			2015 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	1,183	-	187	990	-	180
Balance	1,881	-	29	1,865	34	47
Amounts disbursed or facilities increased in the year	-	-	2	-	27	5
Interest and other revenue earned	62	1	7	111	4	9

C. OTHER TRANSACTIONS BETWEEN RELATED PARTIES, INCLUDING DEPOSITS FROM DIRECTORS AND OTHER KMP

	2016 $'000	2015 $'000
TOTAL VALUE TERM AND SAVINGS DEPOSITS FROM DIRECTORS AND OTHER KMPS	**6,961**	**5,237**
TOTAL INTEREST PAID ON DEPOSITS TO DIRECTORS AND OTHER KMPS	**130**	**118**

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

D. TRANSACTIONS WITH RELATED ENTITIES

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

		Sales to related parties	Purchases from related parties	Other transactions
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	**2016 $'000**	182	-	-
	2015 $'000	26	-	5
Tertiary Travel Service Pty Ltd	**2016 $'000**	-	58	-
	2015 $'000	-	-	-

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

E. TRANSACTIONS WITH RELATED PARTIES

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

An attendance fee was paid to Graeme Green as chair of the Members' Committee, amounting to $2,968 (2015: $4,240). Graeme Green is the spouse of Linda Green.

32. SEGMENTAL REPORTING

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

33. SUPERANNUATION LIABILITIES

The Group contributes to the NGS Super Plan for the purpose of the Superannuation Guarantee and to the Schedule One Part B sub-groups of the Plan in relation to defined benefit members and has no interest in the Superannuation Plan other than as principal employer and contributor.

The defined benefit Plan sub-group arrangements create the potential for actuarial risk to be shared between participating employers, with the effect that defined benefit obligations may not be reliably measured and that the plan is not accounted for as a defined benefit plan. The Parent's employees represent 2 of the total of 11 employees of the plan of which there are seven employers in total.

The sub-group's objective is to maintain defined benefit assets in excess of discounted accrued retirement benefits. To meet this objective, all employers are contributing a minimum 9.5% to the plan. Contribution requirements may vary if the overall sub-group experience is not in line with the actuary's assumptions and a surplus or deficit arises. There is no agreement regarding the allocation of any surplus or deficit of the Plan and equivalent changes to all employer contribution rates may be utilised to manage surpluses or deficits. No employer is liable to meet the obligations of the other entities under CUE superannuation rules.

Following the last full actuarial valuation dated 30 June 2014, the principal, Stuart Mules of Mercer Consulting (Australia) Pty Ltd, confirmed that the defined benefit sub-plan in the NGS Super Plan was in a satisfactory financial condition. Following the March 2016 quarterly financial update, the defined benefit sub-plan in the NGS Super Plan remained in a satisfactory financial condition.

34. TRANSFERS OF FINANCIAL ASSETS

SECURITISED LOANS RETAINED ON-STATEMENT OF FINANCIAL POSITION

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

i. Securitised loans retained on-statement of financial position
EdSec Funding Trust No.1 has been established as a mechanism to obtain liquid funds from the Reserve Bank of Australia.

The value of securitised loans that do not qualify for de-recognition are set out below. All loans are variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year the Parent assigned an additional $162 million in loans (2015: $268 million) to the Trust.

	2016 $'000	2015 $'000
TOTAL AMOUNT OF SECURITISED LOANS UNDER MANAGEMENT	**622,848**	**563,433**

35. NOTES TO STATEMENT OF CASH FLOWS

A. RECONCILIATION OF CASH

CASH INCLUDES CASH ON HAND, AND DEPOSITS AT CALL WITH OTHER FINANCIAL INSTITUTIONS	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
Cash on hand and deposits at call	173,437	173,437	83,857	83,857

B. RECONCILIATION OF CASH FROM OPERATIONS TO ACCOUNTING PROFIT

THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO THE PROFIT AFTER TAX	2016 $'000		2015 $'000	
	CONSOLIDATED	PARENT	CONSOLIDATED	PARENT
PROFIT AFTER INCOME TAX	**30,271**	**30,212**	**30,063**	**29,872**
Add (less):				
- Provision for impairment and bad debts written off (net)	2,211	2,211	2,578	2,578
- Depreciation of property, plant and equipment	5,900	5,900	5,215	5,209
- Provision for employee entitlements	1,617	1,617	569	569
- Other provisions	(242)	(241)	(236)	(311)
- Loss on disposal of plant and equipment (net)	140	140	45	45
- Bad debts recovered	(1,102)	(1,102)	(967)	(967)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	(544)	(539)	(584)	(578)
- Accrued expenses and sundry creditors	180	180	(50)	(160)
- Interest receivable	(318)	(318)	6,210	6,210
- Interest payable	(361)	(361)	(1,807)	(1,807)
- Other income receivable	589	589	65	65
- Unearned income	293	293	(42)	(42)
- Increase in other assets	-	(45)	-	-
- Increases in loans and advances to members	(369,600)	(369,600)	(395,163)	(395,163)
- Increase in retail deposits	391,435	391,548	399,725	400,244
- Provision for income tax	367	331	(2,719)	(2,804)
- Deferred tax assets	(627)	(605)	(57)	(34)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**60,209**	**60,210**	**42,845**	**42,836**

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

36. EVENTS OCCURRING AFTER THE BALANCE DATE

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

37. TRANSFER OF BUSINESS

The Group accepted a transfer of business from The University Credit Society Limited (Unicredit) effective 1 August 2015.

All of the shares in the above credit union were replaced with the Parent's shares.

The transfer consolidated the mutual interests of the credit union and the Parent, to create a stronger organisation.

No goodwill arose on the transfer.

The Parent issued 6,430 shares to the members of Unicredit.

As the members of Unicredit were entitled to the withdrawable value of the shares, the value of those shares was retained at the withdrawable value of $64,300 in aggregate.

Other prescribed disclosures are as follows:

(a) There are no contingent considerations or indemnification assets.

(b) The amounts recognised as of the acquisition dates for each major class of assets acquired and liabilities assumed, are as follows:

ASSETS	Gross Contractual Amounts Receivable	Provision for Impairment	Net Amounts Received
Cash	12,976	-	12,976
Receivables from ADIs	31,463	-	31,463
Receivables from members	154,767	(4,289)	150,478
Other receivables	516	-	516
Fixed assets	2,554	-	2,554
Available for sale investments	456	-	456
Intangible assets	-	-	-
Deferred tax assets	-	-	-
TOTAL ASSETS	**202,732**	**(4,289)**	**198,443**
LIABILITIES			
Member deposits	181,761	-	181,761
Borrowing to ADIs	-	-	-
Staff leave provisions	-	-	-
Creditors and accruals	2,273	-	2,273
Other provisions	576	-	576
Taxation liabilities	99	-	99
TOTAL LIABILITIES	**184,709**	**-**	**184,709**
NET ASSETS	**18,023**	**(4,289)**	**13,734**

(c) Contingent liabilities – there are no contingent liabilities.

(d) Cost of the acquisitions expensed comprised:

DESCRIPTION	2016 $'000
Professional due diligence and legal costs	81

These costs were incurred in the 2016 financial year and form part of the Other Administration Expenses of the Group.

(f) There are no acquisition costs which have been incurred but not expensed.

(g) Post Acquisition Performance

The assets and liabilities transferred into the Parent are not separated and ongoing revenue and expenses have been absorbed into the revenue and expenses of the Group.

The amount of revenue and the profit and loss of Unicredit since the transfer date is therefore not available.

38. PRIOR PERIOD RESTATEMENT

The Group reviewed the long service leave provision during the year. An adjustment to the balance was processed to correctly account for long service leave taken. This adjustment restated financial statement line items for prior periods as follows, including the provisions as shown in Note 18:

	2015 $'000		
STATEMENT OF FINANCIAL POSITION (EXTRACT)	**Previous Amount**	**Adjustment**	**Restated Amount**
Employee entitlements	18,411	(5,832)	12,579
TOTAL EQUITY	**390,305**	**5,832**	**396,137**
STATEMENT OF CHANGES IN MEMBER EQUITY (EXTRACT)			
Retained earnings as at 1 July 2014	352,901	5,832	358,733

39. CORPORATE INFORMATION

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

DIRECTORS' DECLARATION

The Directors of Teachers Mutual Bank Limited declare that:

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

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

(b) give a true and fair view of the financial position of the Group as at 30 June 2016 and performance for the year ended on that date.

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

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos
Chairman

Signed and dated
29 August 2016

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Sydney NSW 2000

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QVB Post Office
Sydney NSW 1230

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F +61 2 9299 4445
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www.grantthornton.com.au

Independent Auditor's Report
To the Members of Teachers Mutual Bank Limited

We have audited the accompanying financial report of Teachers Mutual Bank Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Teachers Mutual Bank Limited on 26 August 2016, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion

In our opinion:

a the financial report of Teachers Mutual Bank Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera

Madeleine Mattera
Partner - Audit & Assurance

Sydney, 29 August 2016

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TINY MONSTERS
BECOMING
MIGHTY SAVERS

34
APRIL
2015

1097
OCTOBER
2015

2163
JUNE
2016

THANK YOU TO **ARTARMON PUBLIC SCHOOL** AND **BEAUTY POINT PUBLIC SCHOOL** FOR ALLOWING US TO USE THEIR SCHOOLS AS THE LOCATIONS FOR THE PHOTOS IN THIS REPORT. THANKS ALSO TO ALL OUR MEMBERS AND STAFF WHO ARE FEATURED.

NEED MORE INFORMATION?

WE'RE HERE TO HELP.

13 12 21

8AM TO 7PM, WEEKDAYS
9AM TO 3PM, SATURDAYS

tmbank.com.au

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AUDITORS

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

AFFILIATES

Customer Owned Banking Association (COBA)
Asian Confederation of Credit Unions
CUFSS
CUFA
World Council of Credit Unions

MEMBER GROWTH OVER 50 YEARS

1966
29

1976
12,934

1986
54,271

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