Annual Report

and Sustainability Update

2014-2015

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

We will make it easier for our members to save money and make money at every stage of their life in order for them to maximise their financial health and wellbeing.

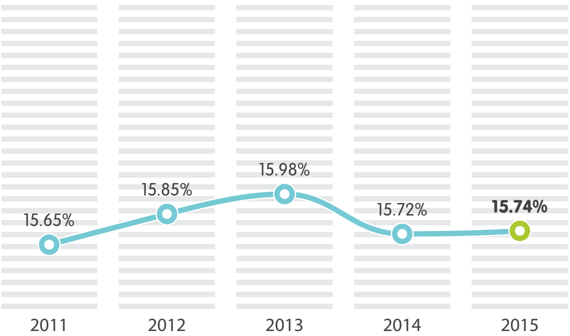
Teachers Mutual Bank will protect and improve our competitive positioning, member equity and value through sustainable business practices.

Liz, Teacher

Contents

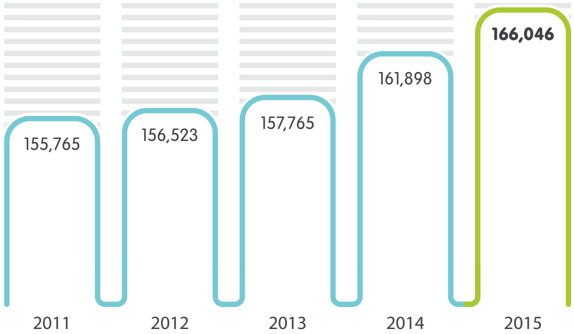
Key financial performance

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



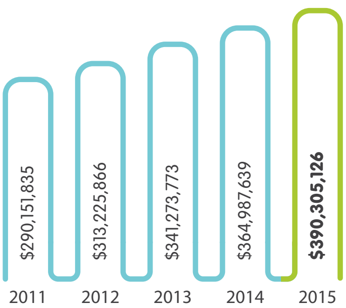
Capital adequacy ratio

Capital adequacy is an industry ratio which measures the strengths of a lending institution. We are well above APRA's minimum requirements of 8%.



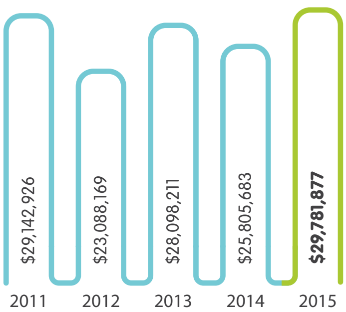
Membership

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



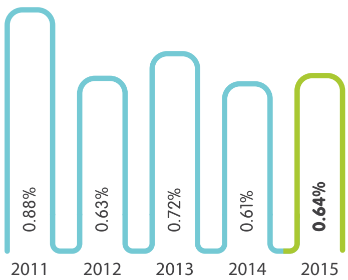
Reserves

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



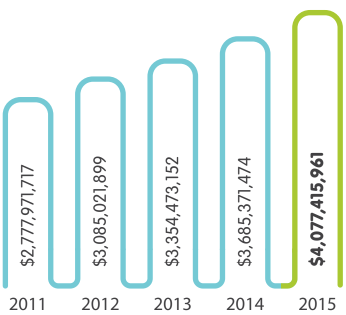
Profit after income tax

Profit after income tax 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.



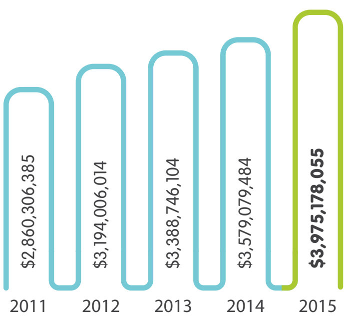
Return on assets

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



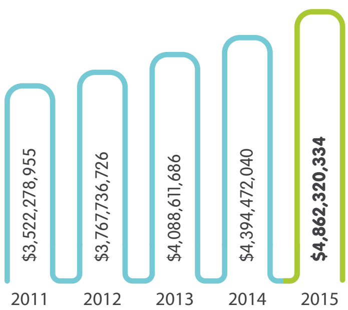
Loan balances

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



Member deposits

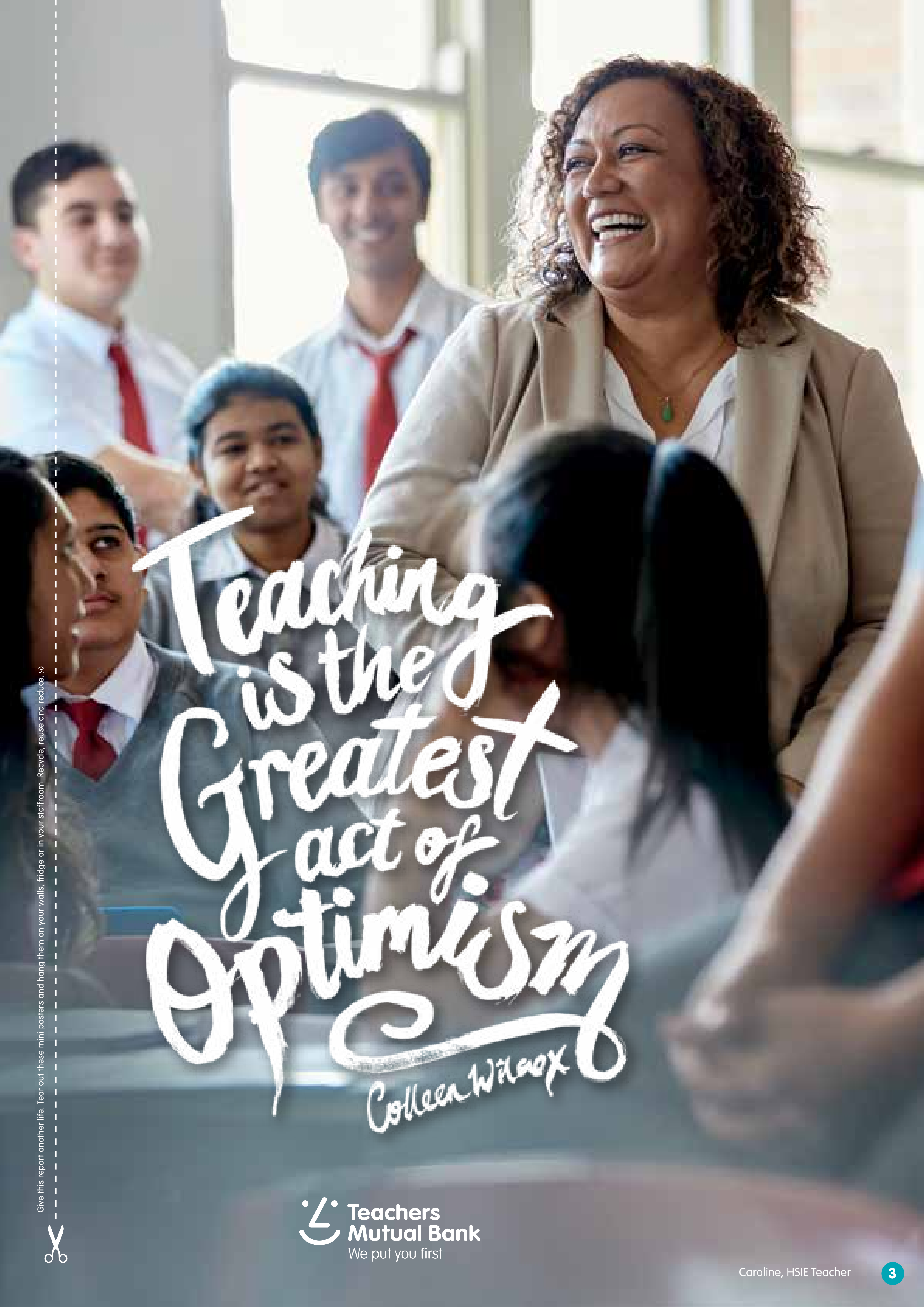
Member deposits are made up of savings, investments and shares, excluding interest accrued.



Assets

Assets are the total of all Teachers Mutual Bank assets.

This Annual Report was informed by the issues most important to our operations and key stakeholders. These issues were determined through a review of our employees, a survey of members and other stakeholders and a review of our business risks and opportunities over the reporting period.



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Caroline, HSIE Teacher

Chairperson and Chief Executive Officer's report

Teachers Mutual Bank continued to flourish in 2015 as one of Australia's leading mutual banks. We achieved strong growth, excellent member satisfaction and continued to provide competitive interest rates, products and services for the benefit of our highest priority – our members.

Our education sector focus, prudent lending and exceptional loan quality, year on year, are major factors in our success.

It has been an interesting year in the Australian financial marketplace, with interest rates falling to the lowest point in a generation. House prices rose in the majority of capital cities, and home loan demand has been strong.

These conditions have brought opportunities and challenges for the bank and our members but we have been well placed to respond accordingly. Our very healthy financial results reflect our robustness, as you will see from our financial results at the end of this Report.

To briefly summarise the key indicators, we continued our practice of maintaining a high capital adequacy ratio at 15.74%, well above prudential requirements. Our capital reserves increased to stand at $391 million.

Our asset base grew by 10.6% to $4.86 billion, and August 2015 will see us reach an important milestone of $5 billion in assets.

2015 saw a healthy 15.4% growth in profit of the parent entity, to $29.8 million. This is a particularly good result given especially low interest rates that meant we had to carefully manage the benefits for both our savers and borrowers.

Our home loan performance in 2015 remained strong, growing by 12.32% to $3.8 billion. In addition to our own dedicated team of mobile lenders, we deliver our home loan products to a wider portion of our eligible market through our network of over 1,000 accredited home loan brokers throughout Australia. Being the first mutual bank in the education sector to expand into the broker market in 2013 proved to be an astute decision.

We continue to expand and diversify our sources of liquidity via the wholesale market. Our inaugural medium-term note issuance (which includes non-fossil fuel investment criteria) to the wholesale funding sector this year will provide a stable source of funding for the next three years.

Like all financial institutions, we must retain and cherish our loyal long-standing member base, while also attracting and engaging a younger demographic. This begins with our new Tiny Monsters Bank accounts for children, and Mighty Saver teens accounts that are designed to incentivise and encourage good savings habits for teenagers. To attract teacher members under 30 years old, we have developed a New Teacher program offering a range of benefits as they start out on their teaching journey.

As promised in last year's Report, we have increased our social media presence and there is now a Teachers Mutual Bank Facebook page, giving you another channel through which to interact with us at your convenience. We invite you to visit our Facebook page and follow our activities on a regular basis.

Making significant and meaningful investment in the communities we serve is second nature to us, and included in this Report are examples of the projects that your bank supports across Australia.

We believe our employees are our most valuable resource. We strive to create an engaged workforce by having policies in place that enhance the working environment, and celebrate diversity and equal opportunity.

Our consistently high member satisfaction ratings confirm that we are achieving our aim of providing the best service to our members. In 2014 we were one of only two finalists in the Roy Morgan Research Customer Satisfaction Awards for Best Bank of the Year.

As we enter our 50th year of operation, there is much to look back on and even more to look forward to. We will continue to provide competitive and innovative products and services because we're committed to helping our members save money, build wealth and enjoy financial wellbeing throughout their lifetime.

Thank you for continuing to choose Teachers Mutual Bank to provide your financial services.

John Kouimanos
Chairperson

Steve James
Chief Executive Officer

John Kouimanos, Chairperson
Steve James, Chief Executive Officer

Carrie-Ann, Special Education Teacher

Making banking better for our members

Teachers Mutual Bank is committed to improving banking experiences for our members.

We exist for the mutual benefit of our members, so we're passionate about ensuring that you have the best possible experience with us every time. Our goal is to make banking easy for our members – this philosophy underpins everything we do.

Proving that we always put our members first, we ensure our members receive a consistent, high-quality experience across all of our channels. Whether you come into an office, visit our website, speak with us over the phone, or use mobile banking while on the go, we want to make your banking experiences as effortless as possible.

Improving our banking technology

In the last year, we've made significant advancements in the digital space, and have reduced organisational costs to provide improved technology options for members.

Enhanced security and design of our online banking

In September 2014, we made changes to online banking. We improved the layout of the site to make it easier for members to navigate and to manage their money. We've also enhanced our online banking security by making it compulsory to enter a one-time password for certain transactions. We're dedicated to protecting your information and keeping your money safe.

New-look website

In December 2014, we launched a new-look website, incorporating responsive technology and a more user-friendly layout.

Our new site helps us to provide the best online banking experience possible by making it accessible on any smart device. We've simplified the online application forms for membership, personal loans, home loans and credit cards. These improvements are part of our commitment to making it easier for our members to do their banking anywhere, anytime.

Introducing social media

Last year we ventured into the social media space and launched our LinkedIn page. Our page has allowed us to profile our company in this important social 'business' channel and has helped us to cost-effectively attract high-quality talent for specialist roles. We also use it to profile the achievements of Teachers Mutual Bank and our people as well as to engage with the banking community to ensure that your bank keeps pace with current banking trends and innovative business practice.

In December 2014, we introduced our Facebook page. Having a presence on Facebook provides us with another way to engage with you, our members, whilst helping us reach out to a broader range of potential members. At June 2015, we had more than 1,800 'likes' on our page – the numbers are growing every day. Facebook will increasingly become one of our key member communication channels, so by 'liking' us on Facebook, members will always know what's going on at Teachers Mutual Bank.

Expanding our home loan broker network

We're committed to providing greater access and choice for members and potential members wanting to take out a home loan with us. Since launching in 2013, our broker channel has seen substantial growth. We now have an established network of over 1,000 brokers across Australia.

Tiny Monsters Bank and teen banking

In 2014, we were excited to introduce Tiny Monsters Bank and teen banking for our members under the age of 18. We created these resources to help teach children to be money smart in a fun and age-appropriate way. In March 2015, we launched Mighty Saver – a high interest savings account for under-18-year-olds that rewards saving.

Student teachers

This year we focused on strengthening our relationships with universities and providing support to meet the unique needs of students studying education. During Orientation Week, our Business Relationship Team attended over 30 campus events reaching thousands of education students with our 'Teachers Rock' message. Thanks to this initiative, our New Teacher program, which offers fee-free banking options to students and new graduates, now has more than 4,000 members.

Casual teachers

Many teachers now begin their careers working on a casual basis, which we believe should not be a financial barrier. Our unique lending policy makes allowance for this reality, so a teacher can apply for a loan with us once they have been employed by the Department of Education for 3 months, regardless of their status of employment.

Canstar's Customer Satisfaction Award

We pride ourselves on always delivering exceptional member service, so we are thrilled to have been awarded Canstar's Customer Satisfaction Award for Challenger Banks 2015. The Challenger Bank category includes all financial institutions outside of the four major banks and the award is assessed directly from feedback sourced by CANSTAR Blue. CANSTAR Blue looks at a range of criteria for measuring satisfaction including branch service, internet banking, product range, problem handling and fees.

Our Everyday Account was recognised by Canstar in 2014, receiving a 5-star product rating in the Electronic Transaction Category.[10]

Roy Morgan advocacy

National pollster Roy Morgan consistently rates our member satisfaction at over 90%. We are proud to have topped the poll and to have been awarded the title of Bank of the Month four times during 2014/15.

86,440

internet banking users

38,321

mobile banking users

Frances, Primary Teacher (Mandarin)
Lexi, Student

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Hollie, Mobile Lender
David, Maths Teacher

Our employees are the key to our success

We are proud to have a reputation of caring for our employees. Ensuring that Teachers Mutual Bank remains a great place to work is central to maintaining our high professionalism and outstanding customer service. We are passionate about supporting our people to reach their full potential, because we know they are the key to our success. We look after our people, and in turn, they go above and beyond to put our members first.

Our workforce is growing with our expanding national presence. As at June 2015, we employed over 450 people in five states and territories across Australia. Even though we're becoming more geographically dispersed, we continue to identify ways to enhance employee engagement.

We encourage our employees to develop their careers by supporting them to further their education. In 2014, 24 employees completed further studies. We offer flexible workplace practices, fitness and wellbeing classes and place a strong emphasis on maintaining a healthy work/life balance.

We pride ourselves on our high Staff Engagement score of 87% - up 3% from last year.

Open and honest communication

We communicate openly and honestly with our employees and continually strive to create a supportive environment where everyone can thrive – from our trainees through to our executive team. In 2015, we launched a new staff intranet, which has empowered our employees to share information and connect with one another. We believe that it's not only important to keep staff informed, but to share our successes and celebrate our achievements.

National Team Leader of the Year

We are extremely proud of Kylie Kempton from our Contact Centre who took out the award for 2014 Team Leader of the Year at the Auscontact National Awards. The Auscontact Association is the leading industry association for contact centres in Australia. In July 2014, Kylie also won the award for best Team Leader in NSW. We are also proud of our Contact Centre team for coming first in the NSW Best Contact Centre in its category (31-80 FTE) and being placed runners-up at the National Awards.

Embracing diversity

We truly believe in the value that diversity brings to our organisation. In 2014, we introduced a Diversity Committee to ensure that we continually improve our workforce profile.

A gender diversity strategy has been developed, with our CEO and Board committed to gender equality and pay equity, as well as to identifying and removing any obstacles that would prevent women from accessing leadership positions.

"I genuinely believe that organisations that build their capability by maximising the potential of both female and male talent have a strong competitive advantage"
Steve James

We are leaders in recognising our mature age workforce – one in three of our employees are aged over 50 – and we have had continuing success with our Mature Age Worker Program, designed to assist employees transitioning to retirement.

We are also committed to attracting and retaining young talent. In 2015, we again ran a trainee program for school leavers and actively pursued the recruitment of graduates in selected specialised roles.

Staff Sponsorship Grants and Volunteer Leave

We encourage our employees to become involved in our sustainability initiatives, and we create opportunities for them to make a difference. In 2014, we introduced a Staff Sponsorship policy, so our employees can apply for a grant of up to $500 to assist a community project or charitable organisation. So far, we have donated $3,000 through these grants that have gone towards helping causes in Australia and developing communities overseas.

In 2015, we introduced Volunteer Leave, enabling our employees to take one day off a year to volunteer for a charitable initiative.

We put sustainability at the heart of our business

We believe that as a business we have an obligation to our members and our community to operate in a socially responsible way.

Sustainability is one of our core values, and is deeply embedded into all facets of the organisation. Our sustainability strategy encompasses five key priority areas: our members; sustainable business practices; the education community; the environment; and our employees.

We continually benchmark ourselves against industry leaders from around the world, using a number of independent global measures including the London Benchmarking Group (LBG), the Ethisphere Institute and the Australian Centre for Corporate Social Responsibility (ACCSR).

Over the past 12 months we have further improved our position as a sustainable business leader, demonstrating that sustainability and profitability are not mutually exclusive.

Highlights from the past 12 months include:

- **Being named 'Best bank in socially responsible performance' at the prestigious 2015 Australian Banking and Finance Awards.** Assessed against the best performing banks in the Australian financial sector, we are proud to be number one for environmental, social and governance (ESG).
- **Maintaining our position on Ethisphere's list of the World's Most Ethical Companies for 2015[6].** This year we were one of only two Australian companies to be named on the list, which recognises organisations that are excelling in corporate ethics and governance.
- **Raising the bar with an increased community investment rate of 4.55% of pre-tax profits, as measured by the LBG[5].** This rate is 9.3 times the LBG Australian and New Zealand average and equates to an investment of $1.67 million into our communities.
- **The ACCSR 2015 annual 'Review of the State of CSR in Australia and New Zealand' ranked Teachers Mutual Bank among the top 10 companies in the region.** The review, which has been published annually since 2007, is the largest ongoing survey of CSR practice and performance in Australia. Our score of 94% in CSR Management far exceeded the finance and insurance industry average (74%) and the all-industry average (76%).

"As a purpose-driven bank, putting profits back into the community is extremely important to us. We're proud to be leading the way not just in Australia but globally. If all banks spent 4% of their profit in the community, the impact would be billions."

Steve James

Mark, Lecturer and Industrial Designer

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Christopher, Student Teacher
& Future Teacher Scholarship recipient

We invest in education and our communities to put teachers first

By investing in the education sector and the community we are investing in teachers now and into the future.

Our investments provide extensive support to the education community not only across Australia but also in third world countries. Among our initiatives are:

Stewart House

As a platinum sponsor of the much-loved Stewart House, we are proud to support the services they provide for children who need a break from their current circumstances. Every year, 1,800 public school children attend Stewart House at no cost to their parents or carers.

The Public Education Foundation

This Foundation provides life-changing scholarships to young people, teachers and principals in public education. The Teachers Mutual Bank Harvard Club of Australia Scholarship, worth $10,000, offers talented principals the opportunity to attend a professional program at the Harvard Graduate School of Education. Our 2015 winner Scott Davidson, Principal of Cabramatta Public School, is an active leader in the Empowering Local Schools initiative.

Premier's Teachers Scholarship

The Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship, worth $15,000, provides teachers with an opportunity to undertake a study tour to visit some of the world's best schools, academic institutions and centres for technology excellence. The Scholarship helps to put new and emerging technologies at the forefront of the curriculum. Our 2015 winner, Renee Fagan, is a young teacher at Lightning Ridge Central School whose project compares the use of iPads in Australian and Canadian schools to better engage indigenous students.

Star Struck

Star Struck brings together teachers and students from the Hunter and Central Coast to perform a multi-talented spectacular. It is a culmination of work by over 300 teachers and 3,500 students from more than 120 schools. We are delighted that our support continues to nurture the creative gifts of teachers and students in the region.

NSW Department of Education (DE) initiatives

We continue to be a proud supporter of many outstanding DE initiatives including:

- Schools Spectacular;
- Dance and Music Festivals;
- School Sport;
- teach.NSW; and
- WeCommemorate – Centenary of ANZAC.

ACT initiatives

In the ACT we remain passionate supporters of ACT School Sport and the ACT Step into the Limelight Festivals.

WA initiatives

This year we have begun an exciting new partnership with the Western Australian Primary Principals' Association (WAPPA) to initiate the WAPPA Teachers Mutual Bank Professional Support Program. The Program will deliver:

- support to individual teachers at every stage of their school career; and
- succession planning for the sustainability of the leadership team.

Network Teach

As the principal sponsor of Network Teach, we assist in supporting aspiring teachers. Network Teach offers consistent, ongoing and active support to student teachers, providing an array of social and professional development opportunities and leadership experiences.

Future Teacher Scholarships

Our Future Teacher Scholarships help aspiring teachers who may be facing financial challenges. Every year we provide scholarships, worth $5,000 each, to seven Australian university students so that they can concentrate on their studies and worry less about any financial difficulties.

Myanmar Teachers Project

Our three-year funding partnership with Credit Union Foundation Australia assists in breaking the poverty cycle in Myanmar by helping pay teachers' salaries. The project is targeted to benefit 22 schools, 157 teachers and 5,495 students.

Disaster Relief in Vanuatu and Nepal

This year we contributed a total of $20,000 to disaster relief funds for Vanuatu and Nepal.

Investing in the environment is an investment in the future

We have taken responsibility for our environmental footprint and are taking proactive steps to preserve the environment for generations to come.

Our approach includes: minimising our consumption of paper, water and other important resources; investing in carbon offset programs to neutralise our carbon emissions; and helping teachers foster a love and appreciation for the environment in their students through our Teachers Environment Fund.

In general, environmental damage attributable to banks comes largely from the negative impacts associated with their lending and investments, rather than their direct footprint.

This year we have gone to significant lengths to prohibit any lending activities that have detrimental effects on the environment. We have strengthened our lending policy and in turn have been certified as an ethical bank by the Responsible Investment Association Australasia (RIAA).

Strengthening our lending policy

We have always maintained a solid stance against lending to and investing in large-scale greenhouse gas polluting activities arising from fossil fuel exploration, extraction, production and use. This year we took the additional step of formally introducing these exclusions into our sustainability policy. The policy now formally disqualifies lending opportunities when the purpose would be to finance large-scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use.

The purpose of this policy update was transparency – we believe that you should know how your money is being invested. Australians are becoming increasingly aware of the environmental impacts of the fossil fuel industry. By formalising our position in policy, we are providing peace of mind that your money is not being used to directly fund climate change.

A certified ethical bank[9]

At the end of the 2014/2015 financial year Teachers Mutual Bank received recognition from RIAA as a certified ethical bank. This certification was awarded on the basis of our lending policy and our $500 million Debt Issuance Program. This certification is very significant as:

- It is the first certified ethical investment wholesale cash product in Australia; and
- It is the first certified ethical investment wholesale cash product in Australia that is based on excluding fossil fuel lending and investing.
- Teachers Mutual Bank is the only bank in Australia with a certified ethical investment wholesale cash product, the proceeds of which are used to fund the balance sheet.

We are excited to be pioneering this new frontier of ethical banking.

Teachers Environment Fund

The purpose of the Teachers Environment Fund is to help enrich our children's education by bringing schools' eco-projects to life. This year the Teachers Environment Fund has provided $52,982 in grants to 32 schools.

Since its inception in 2008, the Teachers Environment Fund has supported 152 eco-projects around Australia including sustainable community gardens, indigenous bush tucker programs, composting systems, and even an innovative greenhouse made entirely out of recycled plastic bottles!

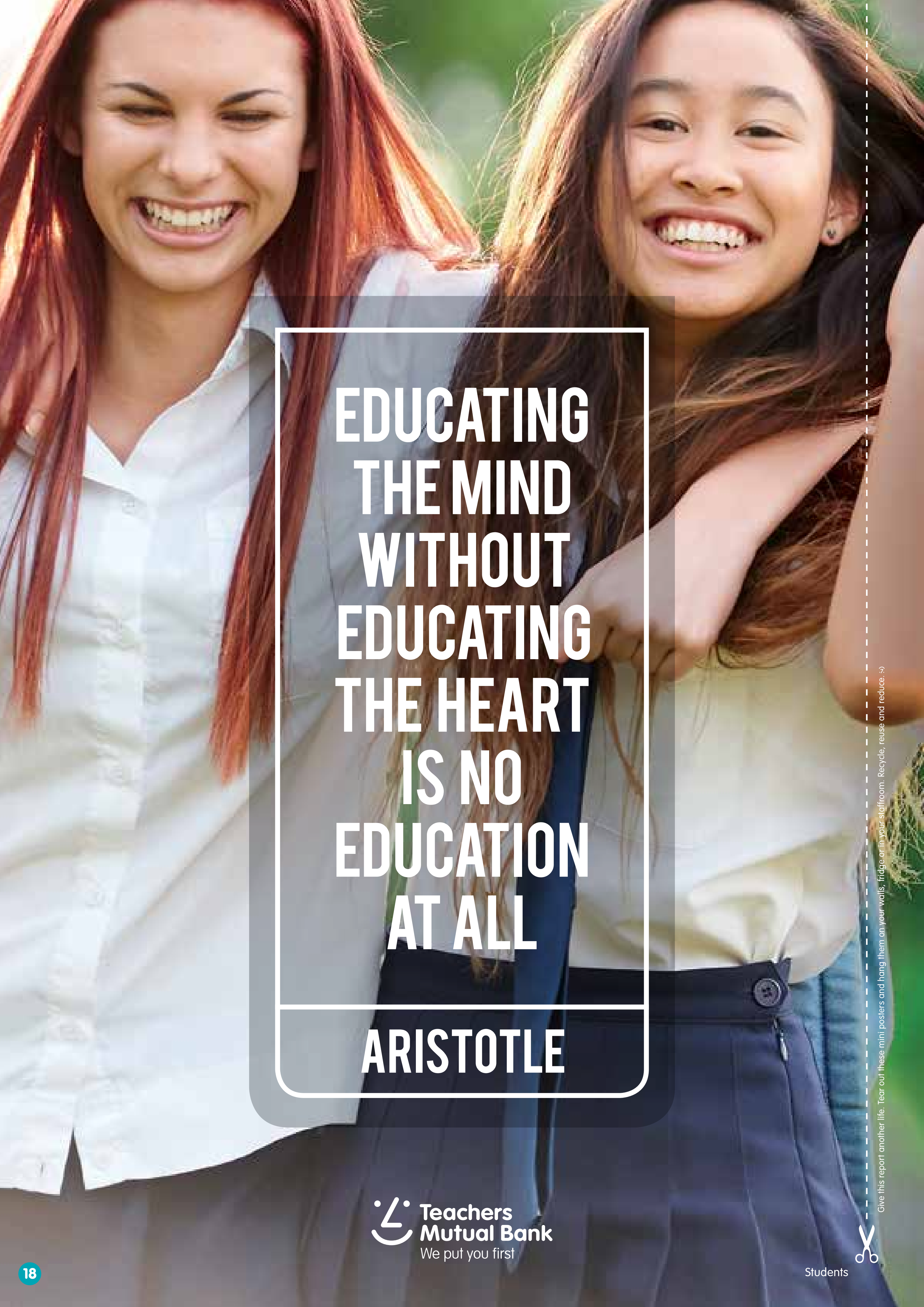
Maintaining our carbon-neutral status

We have maintained our status as a carbon-neutral bank through continued investment in carbon offset projects in the Asia-Pacific region. Achieved through our partnership with Climate Friendly, we have been able to fund emission reduction projects and help local communities to reduce pollution and repurpose waste gas into a usable resource.

Minimising consumption

We are always looking to improve the way we use resources. At our Homebush office we replaced 2,354 lights with 1,308 LEDs. By installing these more energy efficient lights, we have been able to reduce our electricity consumption from lighting in that office by 70%. This year we have also achieved a 24% reduction in paper consumption across the business, with 99% of all paper still purchased from certified sustainable sources.

Jennie, International Baccalaureate
Coordinator & English Teacher



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Sustainability key performance indicators and targets

Sustainability is a core business value, and to ensure that it is embedded across the business, we report our performance against 96 targets and key performance indicators (KPIs). We continue to strive to be an ethical and sustainable business.

Key Performance Indicators

Members	2012-13	2013-14	2014-15
Member satisfaction rating	90%	90%	94.4%
CANSTAR member valuation – against the four major banks[1]	$314.18	N/A	$229
Host member engagement events*			183
Disputes lodged with external bodies*			9
Members assisted through the Credit Assistance service	108 members	165 members	81 members
Community			
Total community investment Percentage of net profits before tax (NPBT)	$1,349,000 4.2%	$1,620,000 4.1%	$1,670,000 4.55%[#]
School visits	1,712	2,102	1,553
Conferences supported	110	153	205
Employee fundraising	$17,711	$19,074**	$17,544
Environment			
Paper recycled	33.4 tonnes	22.2 tonnes	40.2 tonnes
Waste generated Per full-time employee (FTE)	61.9 tonnes 155 kg/FTE	67.8 tonnes 157 kg/FTE	59.3 tonnes 136 kg/FTE
Greenhouse gas emissions	1,759 tonnes	0	0
Toner cartridges recycled	168 kg	217 kg	225 kg
Water consumed per FTE	17,881 litres	13,585 litres	17,585 litres
Employees			
Percentage of women in management	33.3%	31%	30%
Employee satisfaction	88%	84%	86%
Staff engagement rating	88%	84%	87%
Employee turnover rate	7.16%	8.23%	10.04%
Employees currently studying	24.28%	24.89%	11.84%
Study leave days granted	231.5	209	220.66
Worker compensation claims	7	7	7
Staff satisfaction with workplace health & safety (WH&S)	96%	92%	89%
Average lost time incident rate (in days)	12.2	16.99	4.6

* In FY2015 we reviewed and amended these KPIs. This is the first year we have reported on this performance target.
** Employee fundraising figure for 2014 has been revised.
[#] As measured by LBG in November 2014, based on 2013/14 financial results.

Results on our targets: Sustainable business practices

Targets	Results
1. Benchmark and report our community investment using the London Benchmarking Group (LBG) methodology	Our LBG[5] results show that we are a global leader in community investment for the third year running. We spent 4.55% of pre-tax profits (NPBT) on community investment, which is 9.3 times the LBG Australia and New Zealand average of 0.49%.
2. All staff, Grade 6 and above, have sustainability KPIs in their performance plans	This includes all Managers, Senior Managers and Executives.
3. Review and improve sustainability training and education available to employees	Sustainability has been embedded in our formal online training program to be rolled out in FY2016. This training will be mandatory for all staff.
4. Assign Board responsibilities for sustainability	Our CEO, Steve James, represents sustainability issues on the Board, with sustainability a monthly Board Agenda item. The Board discusses and reviews the Sustainability Strategy annually.
5. Launch a revised Sustainability Policy and review annually	Our Sustainability Policy was updated in March 2015. The 36 page document covers five Sustainability Priorities and itemises 200 points.
6. Publish our position and investment policy on climate change and fossil fuels	The updated Sustainability Policy contains a new section 'Responsible lending and climate change'. Teachers Mutual Bank's Policy is 'the exclusion of lending to, or investing in, large scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use'.
7. Sustainability embedded into business policies, practices and decision making	A key 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	The Teachers Mutual Bank Sustainability Committee Charter was updated in April 2015. The Sustainability Committee, chaired by our CEO, includes 5 Executives and meets monthly.
9. Undertake a stakeholder mapping exercise and implement a revised stakeholder engagement plan	We have established a Stakeholder Engagement Standard and an Education Stakeholder Engagement Strategy. As part of this, we regularly seek feedback and ensure that we communicate regularly with stakeholders.
10. Establish mechanisms for two-way sustainability dialogue with stakeholders	We have multiple avenues for engagement, including: an annual member survey; a compliments and complaints process; focus groups held from time to time; a school contact survey; and a school visitation program with feedback loops. We also worked with an Education Community Consultant in 2014 to help establish a national stakeholder engagement strategy and inventory.
11. Survey key suppliers on how they incorporate CSR issues into their products, services and management practices	Sustainability is fully embedded in the business-wide Vendor Management Framework (VMF) as one of six benchmarked metrics. The supplier is sent the Sustainability Supplier Survey as part of the VMF engagement process, and their feedback is part of regular 'health check' meetings and engagement.
12. Introduce sustainability criteria into specific requests for proposals and contracts	We mandate that all potential new material suppliers complete the Sustainability Supplier Survey when submitting a Request for Proposal (RFP) and Request for Information (RFI).
13. Increase the purchase of more sustainable products and services and develop a sustainable print and paper policy	24% of our supplies from office supplies company Staples are from their Earth Care range. All our office paper has Programme for the Endorsement of Forest Certification (PEFC) and is carbon neutral.
14. Actively research and trial more sustainable products with third-party verification	The tea we buy for our staff is now Rainforest Alliance Certified. This means that forests and farms are protecting threatened and endangered species, conserving critical habitat and providing vital ecosystem services. All our pens are purchased from the BIC Ecolutions range, made from 74% recycled material.
15. Promote a zero tolerance culture for corruption and internal fraud	No incidents of corruption or fraud were identified.

Kane, PDHPE Teacher

Results on our targets: Members

Targets	Results
1. Achieve member satisfaction ratings at or above 90%	We consistently achieved a satisfaction score of 90% or higher during FY2015, based on the monthly Roy Morgan Research Consumer Banking Satisfaction Survey[2], and we were named 'Bank of the Month' for customer satisfaction on four occasions.
2. Improve CANSTAR Member Valuation[1]	We outperformed the four major banks - with member value of $36,955,555 generated on an annual equivalent basis, which equates to $229 value generated per member. This result highlights Teachers Mutual Bank's competitive positioning relative to the four major banks. This result is for FY2014. At the time of going to print, member valuation is being prepared for 2015/2016.
3. Improve member retention rates	Our attrition rates reduced by 3.4%.
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. There were no adverse findings.
5. All complaints responded to within 1 business day	We responded to approximately 98% of complaints (1,980) within 1 business day.
6. Achieve best practice for all complaints resolved within 14 days	92.2% of complaints were completed within 14 days or less, with 96.9% completed within 21 days or less. Industry best practice is to respond within 21 days.
7. 100% of frontline staff enrolled in complaints handling	92% of frontline staff are enrolled in complaints handling training.
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. All staff receive training in privacy regulations as well as in the collection of and dealing with personal information. This training was last updated in May and June of 2015 in response to changes in regulations.
9. Host member engagement events	We hosted 290 events for members, including 'lunch box presentations' and mobile offices.
10. Visit members' workplaces	We visited 1,553 schools across New South Wales, Western Australian, Australian Capital Territory and the Northern Territory. We have worked closely with our partners over the 2014/15 financial year to improve the quality of our visits, to ensure the most value for members and potential members. As a result we have extended the length of visiting times and increased follow up visits.
11. >90% of members to feel that they have adequate access to banking services	As measured in the 2013 Member Satisfaction survey conducted by GALKAL, 93% rated their access to any of the Teachers Mutual Bank services as "quite accessible" or "very accessible". We are currently in the process of surveying members on this target; updated results will be available in late 2015.
12. >90% of members to feel that they have adequate access to information and assistance	As measured in the 2013 Member Satisfaction survey conducted by GALKAL, 90% 'somewhat agreed' or' strongly agreed' that they had adequate access to information and assistance on any of the Teachers Mutual Bank services. We are currently in the process of surveying members on this target; updated results will be available in late 2015.
13. 100% of marketing campaigns complying with responsible marketing guidelines	All marketing campaigns are developed in line with Teachers Mutual Bank's rules of responsible marketing and the 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	81 members were assisted through our Credit Assistance Programme in 2014/15.

Results on our targets: Community

Targets	Results
1. Maintain our minimum commitment of 3% of net profits after tax (NPAT) invested in sustainability initiatives	As measured by the London Benchmarking Group (LBG)[5], in FY2014 we spent 4.55% of NPBT on community investment (this is equal to 6.5% NPAT).
2. Provide financial support for the education sector via sponsorship and donations	As measured by LBG[5], in FY2014 we invested $1.67 million in the sector – 4.55% of NPBT.
3. Prioritise collaboration with the various Departments of Education in NSW, ACT, WA and NT	We worked closely with the NSW Department of Education to deliver support to the education community. We proudly supported a number of outstanding initiatives delivered by The Arts Unit, The Sports Unit and Teach NSW such as the Schools Spectacular, the Premier's Teachers Scholarship and the Premier's Sporting Challenge Staff Challenge. In the ACT we supported the Step into the Limelight Festival and in Western Australia we promoted excellence by supporting the WA Education Awards.
4. Foster effective relationships with the education sector	In conjunction with the Public Education Foundation, we continued our sponsorship of the Teachers Mutual Bank Harvard Club of Australia Scholarship. This provided Cabramatta Public School Principal, Scott Davidson, with the opportunity to attend a professional education program tailor-made for school principals at the Harvard Graduate School of Education in the US. The WA Education Awards honour and reward the very best teachers, leaders and support staff in public schools across WA, as well as the schools themselves. We have been a sponsor since the Awards' inception in 2008.
5. Enhance the professional development of teachers via the support of teacher conferences and events	Professional development is a major focus of our investment. We sponsored 205 different conferences over the past year. These are an integral part of extending and improving school curricula by improving skills and training for principals, deputy principals, teachers, school administration and support employees.
6. Continue to be a leading corporate sponsor of Stewart House	As a platinum sponsor of Stewart House we are proud to support the services they provide for children, through financial and in-kind support.
7. Assist poverty alleviation in the Asia-Pacific via Platinum Sponsorship of Credit Union Foundation Australia (CUFA)	We are a major sponsor of the CUFA Myanmar Teachers Project which helps to pay teachers' salaries and empower the community as a whole, with village saving loans for micro-businesses. We donated $10,000 to the Red Cross Vanuatu Appeal to provide those affected by Tropical Cyclone Pam with necessities such as hygiene kits, kitchen supplies and tarpaulins for emergency shelter. We donated $10,000 to Save the Children Australia to help supply life-saving aid to children and their families in Nepal following the earthquake.
8. Improve our support for indigenous education initiatives	We support various indigenous education initiatives in seven schools through our Teachers Environment Fund. We provided a $15,000 scholarship to teacher, Renee Fagan, to conduct a study tour to help engage indigenous students with their learning through the use of iPad technology.
9. Provide Teachers Environment Fund grants for sustainability in schools	In FY2015 the Teachers Environment Fund (TEF) gave $52,982 to 32 schools. Since launching the TEF in 2008 we have provided $398,222 to 157 schools assisting a total of 8,150 teachers and 95,771 students.
10. Financially assist student teachers with Future Teacher Scholarships	Through our Future Teacher Scholarships we gave a total of $35,000 in grants to seven students to help with their education costs. A $250 prize was also given to 10 runners up. Since launching the Future Teacher Scholarships in 2009, we have provided $215,000 in Scholarships and prizes to over 60 students.
11. Fund the NSW Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship	Through the $15,000 NSW Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship we sponsored teacher Renee Fagan, from Lightning Ridge Central School, to conduct a study tour to compare the use of iPads in Australian and Canadian schools to better engage indigenous students.
12. Support employee-driven charity programs	We raised $17,544 from Workplace Giving and Staff Fundraising at our Charity days. The funds went to CUFA, Stewart House, Save our Sons, White Ribbon and Dressed for Success. This is an average of $40 per employee.

Results on our targets: Environment

Targets	Results
1. Improve data collection processes for energy, waste, water, paper and supply chain	We have improved supplier data – electricity data is now provided online for most of our sites. Our water bills were reviewed, and as a result we identified significant cost savings. Our recycling supplier, Remondis, now provides monthly data for paper, waste and recycling.
2. Engage and train employees on sustainable office practices	We engaged a PhD student to survey 100 staff on their recycling attitudes and behaviours. The results have helped to shape our decision to provide paper recycling bins at each workstation and in communal areas.
3. Maintain carbon neutral status, so that all member accounts are held with a carbon neutral bank	We have been a carbon neutral bank for 3 years, since July 1 2012. This is achieved by offsetting all our Greenhouse Gas (GHG) emissions from electricity and fuel use (Scope 1 and Scope 2).
4. Invest in certified carbon offset projects with robust social, environmental, community and education standards	Our carbon offsets are provided by Climate Friendly, a global innovative carbon management and energy solutions organisation. We invest in 3 projects in renewable and community energy, and waste gas in Asia. These are certified as 'Gold Standard', 'Social Carbon' and 'Verified Carbon Standard (VCS)'.
5. 5% reduction in HQ energy to 2013, and 10% by 2015	Electricity consumption at our Homebush HQ has been reduced by 22% since 2014, and 33% since 2013. Much of the savings have been from our LED program. At our Homebush HQ, we replaced 2,354 lights with 1,308 LEDs which have reduced the electricity consumption from lighting by 70% in 12 months. Electricity consumption for the bank as a whole reduced by 5.75%.
6. Investigate large-scale commercial solar PV opportunities for our HQ	We issued an RFP for solar PV rooftops for our 3 owned sites in NSW, and selected a vendor. We have commissioned a structural inspection for the roof space.
7. Implement new staff engagement programs to save energy	We have developed a range of initiatives in partnership with our Learning and Development Committee, and removed electric hand dryers from staff bathrooms.
8. All new cars purchased for our fleet to achieve at least a 3-star rating in the Green Vehicle Guide	All new fleet cars meet a 3-star rating in the Green Vehicle Guide. We moved to a novated lease structure that has reduced the financial incentives for staff who have company cars – this was partly for sustainability reasons. The changed leasing structure removes the inequity for staff who walk, ride or use public transport, and levels the playing field for people who drive less kilometres.
9. Introduce new technology and processes to reduce paper wastage and improve efficiency	Recycling of paper and cardboard increased by 82% to 40.2 tonnes. Our total paper consumption reduced by 24%. The largest paper use is for member marketing material, and this reduced by 36%. 99% of the paper we purchase is from a certified sustainable source – FSC (49%) and PEFC (50%). 67% of all the paper we purchase is certified carbon neutral.
11. Implement revised sustainable print and paper policy	We continued the reduction of our paper use through reporting and reduction targets.
12. 25% reduction in head office water use from 2011	We have not met this target. Water use has increased, and we are investigating the billing and plumbing issues at two sites where the usage has spiked.
13. Reduce total waste to landfill from 2011	Total waste generated has reduced by 13% from 70 tonnes in 2011 to 59.3 tonnes in 2015.
14. Improve our recycling program for printers, toners, IT, e-waste, phones, paper and cardboard	The key improvements have been on data collection, staff engagement, and recycling bin infrastructure. We visited the secure paper waste centre and the Staples warehouse in Sydney to see where our waste goes. We recycled 1,911 kg of e-waste and 10,820 kg of co-mingled waste.

Dominique, Student Teacher

Ntombi, EAL/D Teacher

Results on our targets: Employees

Targets	Results
1. 100% of frontline staff enrolled in/ completed online complaints handling training	As at the end of June, 92% of staff had completed this training with the target of 100% expected to be reached by the end of July 2015.
2. Maintain employee satisfaction rating at or above 85%	Our employee satisfaction rating was 86%[3].
3. Maintain employee engagement at or above 80%	Our employee engagement rating was 87%[3].
4. Achieve employee engagement rating above the Australian and New Zealand average	Our employee engagement rating of 87% compares favourably to the latest industry figures.
5. Minimum 85% of employees recommending TMB as a good place to work	92%[3] of staff recommends Teachers Mutual Bank as a good place to work.
6. Maintain staff turnover at least 10% below industry average	Staff turnover at the end of the FY2015 was 10.04%, which is below the finance industry average.
7. Minimum 20% of staff engaged in studying	The number of staff engaged in studies was 11.84%. The reduction was due to a change in training providers, and an increase in the number of new staff who already possess relevant tertiary qualifications. We are reviewing this target to be assessed on a skills rather than a percentage basis.
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	This year we introduced a number of new policies and procedures reflecting best practice, including an organisation-wide Volunteer Leave policy.
11. Zero tolerance to discrimination, harassment and bullying	We continue to maintain a culture that is free from harassment and workplace bullying, through a comprehensive education program and zero tolerance policy.
12. Exceed the ASX average of the percentage of women in Board, executive and management positions	At the end June 2015, 44% of our Board members were women, 28% of our Executive team were women and 30% of Management were women. We exceeded the ASX average for both our Board and Executive positions.
13. Be recognised as an Employer of Choice under the Workplace Gender Equality Agency (WGEA)	We are working towards this by the end of 2015. To date we have met the requirements under the WGEA's compliance reporting standards.
14. Continue to develop and implement diversity, anti-discrimination and flexible working guidelines for recruitment, training and promotion	This year, we introduced a Diversity Committee at a Senior Management and Executive level to increase awareness of the importance of managing diversity in the workplace. This proactive committee reports quarterly to the Board.
15. Reduce the lost time incident rate (LTIR) (measured in days)	Our LTIR was 4.6 days. This is a reduction from 16.99 days in the previous financial year.
16. Maintain staff satisfaction with WH&S at or above 85%	Staff survey results showed an 89% satisfaction rating for WH&S.
17. Make health, safety and wellbeing an integral part of each employee's role	We have a range of ongoing WH&S Committee programs and initiatives. WH&S training and education is mandatory for all staff, contractors and visitors to our organisation.

Things you should know

1. 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. **2.** Roy Morgan Research customer satisfaction ratings are collected from Roy Morgan's Single Source survey of approximately 50,000 Australians annually (www.roymorgan.com). **3.** Staff engagement and satisfaction scores were taken from Teachers Mutual Bank's annual staff survey results, which were conducted externally by Dipolar (www.dipolar.com.au). **4.** Auscontact Association is the united voice for the contact centre industry in Australia. Their respected annual awards, both state and national, recognise individuals and corporations who have delivered customer contact excellence. **5.** 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). Results published in November 2014 are based on investment figures from the previous financial year. **6.** The Ethisphere Institute is a global leader in defining and advancing standards of ethical business. The World's Most Ethical Companies, awarded by Ethisphere, recognises companies that not only promote ethical business standards and practices internally, but also exceed legal compliance minimums and shape future industry standards by introducing best practices today (www.ethisphere.com). **7.** The Australian Centre for Corporate Social Responsibility (ACCSR) is a pioneer in corporate social responsibility in Australia and a leader in stakeholder-based methodologies to address sustainability risk management (www.accsr.com.au). **8.** Awarded by the Asia-Pacific Banking & Finance Magazine, the Best Bank in Socially Responsible Performance Award recognises companies who demonstrate solid performance across three sustainability priority areas: environment, social and governance. **9.** The Responsible Investment Association Australasia (RIAA) is the peak industry body representing responsible and ethical investors across Australia and New Zealand. Through achieving certification, Teachers Mutual Bank is recognised as a certified ethical bank. The Teachers Mutual Bank wholesale debt issuance programme has been certified by RIAA according to the strict disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details. **10.** CANSTAR is an independent financial services research group. Star ratings are consumer friendly benchmarks that provide a product comparison based on rates and features.

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.

John Kouimanos (Chairperson)
BA, Dip Ed

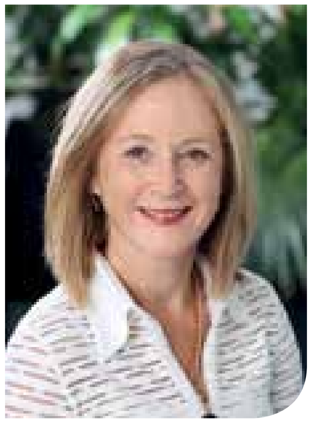
John Kouimanos commenced teaching in 1967 and retired as Head Teacher Social Sciences at Greystanes High School in February 2004. He was appointed to the Supervisory Committee in 1972 and served until appointed as a director in 1974. Mr Kouimanos is Chair of the Board Remuneration Committee and a member 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 and the 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, the Risk and Compliance Committee, Marketing and Member Relations Strategy Committee, and Large Exposures Committee.



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 Chairman 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.

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.

Jennifer Leete
(Director)

BA, Dip Ed, GAICD

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

Graeme Lockwood
(Director)

Dip Teach, Grad Dip C Ed, GAICD

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

Maree O'Halloran AM
(Director)

AM, BA/Dip Ed, LLM, Dip Legal Practice, GAICD

Maree O'Halloran is currently practising as a solicitor at NEW Law Pty Ltd where her clients include teachers and nurses. Until April 2015, Ms O'Halloran was the Director (CEO) of the Welfare Rights Centre, where she 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, TAFEs and with Corrective Services. She has been an active voice for the teaching community, having served in numerous positions of the NSW Teachers Federation, including as its president. She is currently a member of the NSW Public Service Commission Advisory Board and has served as a director of Teachers Federation Health and the SAS Trustee Corporation. She is a member of the Audit Committee, the Marketing and Member Relations Strategy Committee and the Risk and Compliance Committee.

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

Michael O'Neill
(Director)

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

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

Company Secretaries

The names of 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 customer owned banking 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 variety of roles since that time. While his current role is that of governance professional he has previously held senior positions within finance, information technology, administration and risk. He has played an integral part in the mutual bank's 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 per the table:

(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.

*Resigned 15/4/2015.

Board of Directors meetings	A	B
Total Meetings		**15**
John Kouimanos	15	15
Linda Green	15	15
Tyrone Carlin	15	15
Michelene Collopy	14	15
Jennifer Leete	15	15
Graeme Lockwood	14	15
Connuil McEvedy*	8*	10
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		Risk & Compliance		Audit, Risk & Compliance*		Board Remuneration		Development & Education		Large Exposures		Marketing & Member Relations Strategy		Nominations	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Total meetings		**2**		**2**		**2**		**2**		**3**		**2**		**4**		**1**
John Kouimanos							2	2			2	2				
Linda Green							2	2	3	3			4	4	1	1
Tyrone Carlin	2	2	2	2	2	2					1	2	3	3		
Michelene Collopy	2	2	2	2	2	2	2	2								
Jennifer Leete									3	3			3	4		
Graeme Lockwood	2	2							3	3	1	1			1	1
Connuil McEvedy*			1	1	2	2					1	1				
Maree O'Halloran	1	2	1	1	2	2							4	4		
Michael O'Neill			2	2	2	2					2	2				

(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.
*Audit, Risk & Compliance comittee was replaced by the Audit Comittee and Risk & Compliance Comittee as required under prudential standards.

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 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 $30.1 million (Parent in 2014: $25.8 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

Q.T. Travel Pty Ltd became a wholly-owned subsidiary of Teachers Mutual Bank Limited on 1 July 2014. 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

The Group accepted a transfer of business from The University Credit Society Limited (Unicredit), including it's subsidary Tertiary Travel Services Pty. Ltd. effective 1 August 2015. All shares in Unicredit were redeemed and replaced with Teachers Mutual Bank shares. The transfer will ensure that Unicredit members are serviced by a merged entity that is well-positioned to continue meeting the evolving financial services needs of present and future members.

The total Assets of Unicredit as at 1 August 2015 were approximately $190 million based on unaudited accounts.

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 other 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 as set out on page 32.

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 31 August 2015

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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 2015, 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

Neville Sinclair
Partner - Audit & Assurance

Sydney, 31 August 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Financial statements

Notes to the financial statements

Statement of comprehensive income

For the year ended 30 June 2015

	Note(s)	2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Interest revenue	2a	227,877	227,876	221,515
Interest expenses	2c	(115,386)	(115,392)	(116,081)
Net interest income		**112,491**	**112,484**	**105,434**
Fee, commission and other income	2b	29,493	22,453	21,067
Total revenue		**141,984**	**134,937**	**126,501**
Non-interest expenses				
Impairment losses on loans and advances	2d	(2,578)	(2,578)	(2,751)
General administration	2e			
Employees' compensation and benefits		(48,473)	(47,828)	(46,869)
Depreciation and amortisation		(5,750)	(5,743)	(5,477)
Transaction expenses		(11,172)	(11,172)	(10,843)
Information technology		(9,930)	(9,924)	(8,224)
Office occupancy		(2,892)	(2,890)	(2,911)
Travel cost of sales		(5,884)	-	-
Other administration		(13,086)	(12,985)	(12,668)
Total general administration		**(97,187)**	**(90,542)**	**(86,992)**
Total non-interest expenses		**(99,765)**	**(93,120)**	**(89,743)**
Profit before income tax		**42,219**	**41,817**	**36,758**
Income tax expense	3	(12,156)	(12,035)	(10,952)
Profit after income tax		**30,063**	**29,782**	**25,806**
Other comprehensive income				
Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	21	(4,465)	(4,465)	(2,092)
Total comprehensive income		**25,598**	**25,317**	**23,714**

Statement of changes in member equity

For the year ended 30 June 2015

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total members' equity $'000
Consolidated					
Balance as at 1 July 2013	514	13,709	(64)	327,115	341,274
Total comprehensive income for the year – as reported	-	-	(2,092)	25,806	23,714
Sub-total	514	13,709	(2,156)	352,921	364,988
Transfers to (from) reserves	39	(19)	-	(20)	-
Total at 30 June 2014	**553**	**13,690**	**(2,156)**	**352,901**	**364,988**
Consolidated					
Balance as at 1 July 2014	553	13,690	(2,156)	352,901	364,988
Total comprehensive income for the year – as reported	-	-	(4,465)	30,063	25,598
Sub-total	553	13,690	(6,621)	382,964	390,586
Transfers to (from) reserves	35	(4,218)	-	4,183	-
Total at 30 June 2015	**588**	**9,472**	**(6,621)**	**387,147**	**390,586**
Parent					
Balance as at 1 July 2013	514	13,709	(64)	327,115	341,274
Total comprehensive income for the year – as reported	-	-	(2,092)	25,806	23,714
Sub-total	514	13,709	(2,156)	352,921	364,988
Transfers to (from) reserves	39	(19)	-	(20)	-
Total at 30 June 2014	**553**	**13,690**	**(2,156)**	**352,901**	**364,988**
Parent					
Balance as at 1 July 2014	553	13,690	(2,156)	352,901	364,988
Total comprehensive income for the year – as reported	-	-	(4,465)	29,782	25,317
Sub-total	553	13,690	(6,621)	382,683	390,305
Transfers to (from) reserves	35	(4,218)	-	4,183	-
Total at 30 June 2015	**588**	**9,472**	**(6,621)**	**386,866**	**390,305**

Statement of financial position

For the year ended 30 June 2015

	Note(s)	2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Assets				
Cash on hand and deposits at call		87,285	87,285	111,093
Receivables from financial institutions	4	639,627	639,627	539,911
Derivative assets held for hedging purposes	5	326	326	-
Receivables	6	10,837	10,830	16,352
Prepayments		2,653	2,650	2,109
Loans and advances to members	7 & 8	4,076,772	4,076,772	3,682,909
Available for sale investments	9	4,382	4,382	4,383
Investments in controlled entities	10	-	1	-
Property, plant and equipment	11	28,671	28,668	26,612
Taxation assets	12	6,946	6,920	6,849
Intangible assets	13	4,859	4,859	4,254
Total assets		**4,862,358**	**4,862,320**	**4,394,472**
Liabilities				
Borrowings		3,428	3,428	-
Wholesale sector funding	14	358,614	358,614	320,930
Retail deposits	15	4,071,694	4,072,206	3,675,044
Derivative liabilities	5	7,429	7,429	2,333
Creditors accruals and settlement accounts	16	10,932	10,824	9,448
Taxation liabilities	17	894	808	3,592
Provisions	18	18,781	18,706	18,137
Total liabilities		**4,471,772**	**4,472,015**	**4,029,484**
Net assets		**390,586**	**390,305**	**364,988**
Members' equity				
Capital reserve account	19	588	588	553
General reserve for credit losses	20	9,472	9,472	13,690
Cash flow hedge reserve	21	(6,621)	(6,621)	(2,156)
Retained earnings		387,147	386,866	352,901
Total members' equity		**390,586**	**390,305**	**364,988**

Statement of cash flows

For the year ended 30 June 2015

	Note(s)	2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Cash flows from operating activities				
Interest received		234,040	234,039	222,329
Fees and commissions		25,905	18,865	17,567
Dividends received		621	621	805
Other non-interest income received		1,270	1,270	869
Interest paid on deposits		(117,173)	(117,179)	(121,096)
Borrowing costs		(16)	(16)	(57)
Expenses paid to suppliers and staff		(91,432)	(84,972)	(79,101)
Income tax paid		(14,932)	(14,873)	(11,562)
Net increase in loans and advances to members		(395,163)	(395,163)	(333,095)
Net increase in retail deposits		399,725	400,244	143,224
Net cash flows from operating activities	**35b**	**42,845**	**42,836**	**(160,117)**
Cash flows from investing activities				
Acquisition of property, plant and equipment		(6,161)	(6,152)	(3,883)
Acquisition of intangible assets		(2,252)	(2,252)	(1,781)
Sale of property, plant and equipment		489	489	812
Increase (decrease) in deposits with other financial institutions		(99,716)	(99,716)	94,415
Net cash flows used in investing activities		**(107,640)**	**(107,631)**	**89,563**
Cash flows from financing activities				
Increase (decrease) in wholesale sector funding		37,559	37,559	135,708
Net cash flows from (used in) financing activities		**37,559**	**37,559**	**135,708**
Cash held				
Net increase (decrease) in cash held		(27,236)	(27,236)	65,154
Add opening cash brought forward		111,093	111,093	45,939
Closing cash carried forward	**35a**	**83,857**	**83,857**	**111,093**

Notes to the financial statements

1. Statement of accounting policies

This financial report is prepared for Teachers Mutual Bank Limited (Parent) and its controlled entity Q.T. Travel Pty Ltd for the year ended 30 June 2015. The report was authorised for issue on 31 August 2015, 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. Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures the financial statements and notes comply with the International Financial Reporting Standards (IFRS). Teachers Mutual Bank Limited 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 Teachers Mutual Bank Limited and its controlled entities (Group). A controlled entity is an entity that Teachers Mutual Bank Limited 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 entity 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 the 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.

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 consolidated 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 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 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 loss given default 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 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.

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 loss are recognised in profit or loss immediately unless the swap is determined to be an effective hedging instrument. Where the hedge is effective, fair value losses and gains are recognised in Other Comprehensive Income. Interest rate swaps are designated as hedges of highly probable forecast transactions (cash flow hedges).

Hedge accounting

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

Fair values of derivative instruments used for hedging purposes are provided at Note 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 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 of the 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 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 equity.

u. Impairment of assets

The Group assesses whether there are any impairment indicators for classes of 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 judgments

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 into 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. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

New standards

AASB reference	Nature of Change	Application date	Impact on initial application
AASB 9 Financial Instruments (December 2014)	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.	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2019 year end and the revised Standard is not permitted to be early adopted until at least the year ended 30 June 2016, the entity has not yet made a detailed assessment of the impact of these amendments. 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.

2. Income statement

a. Analysis of interest revenue

Interest revenue	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Cash - deposits at call	4,005	4,005	1,791
Receivables from financial institution deposits	18,484	18,484	21,055
Loans and advances to members	205,368	205,368	198,660
Derivatives interest income	16	16	-
Other	4	3	9
Total interest revenue	**227,877**	**227,876**	**221,515**

b. Non-interest revenue comprises

Fee and commission revenue	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Loan fee income - other than loan origination fees	2,845	2,845	2,640
Other fee income	4,942	4,942	5,316
Insurance commissions	5,148	5,148	4,078
Other commissions	5,860	5,860	5,538
Total fee and commission revenue	**18,795**	**18,795**	**17,572**

Other income			
Dividends received on available for sale assets	621	621	805
Bad debts recovered	967	967	1,009
Gain on disposal of assets:			
- Property, plant and equipment	489	489	812
Transfers from provisions:			
- Impairment losses on loans and advances	311	311	-
- Annual leave	-	-	23
Director development	3	3	-
Travel income from sales	6,637	-	-
Miscellaneous revenue	1,670	1,267	846
Total non-interest revenue	**29,493**	**22,453**	**21,067**

c. Interest expenses

Interest expense	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Overdraft	16	16	16
Short-term borrowing	-	-	41
Wholesale sector funding	10,420	10,420	6,319
Retail deposits	102,765	102,771	108,965
Derivatives interest expense	2,181	2,181	740
Other	4	4	-
Total interest expenses	**115,386**	**115,392**	**116,081**

d. Impairment losses

Loans and advances carried at amortised cost	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Increase in provision for impairment	-	-	577
Bad debts written off directly against profit	2,578	2,578	2,174
Total impairment losses	**2,578**	**2,578**	**2,751**

e. Prescribed expense disclosures

Employee costs include:	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Personnel costs	44,219	43,620	41,369
Superannuation contributions	3,684	3,638	3,304
Net movement in provisions for employee annual leave	124	124	-
Net movement in provisions for employee long service leave	444	444	2,166
Net movement in provisions for employee sick leave	2	2	30
Sub-total	**48,473**	**47,828**	**46,869**
Depreciation and amortisation expense comprises:			
Buildings	621	621	605
Plant and equipment	2,915	2,908	2,766
Leasehold improvements (including lease make good provisions)	37	37	68
Written down value of assets disposed	534	534	685
Intangible assets - computer software	1,643	1,643	1,353
Sub-total	**5,750**	**5,743**	**5,477**
Auditor's remuneration (excluding GST)			
Audit and review of financial statements:			
- Auditors services - Grant Thornton	159	159	163
Other services:			
- Other services - compliance	2	2	-
- Other services - other	17	11	4
Sub-total	**178**	**172**	**167**
Other operating expenses			
Transaction expenses	11,172	11,172	10,843
Information technology	9,930	9,924	8,224
Office occupancy	2,892	2,890	2,911
Net movement on provision for director development	-	-	38
Research, marketing, sponsorships and events	4,440	4,450	4,051
Professional fees	1,112	1,112	1,018
Travel cost of sales	5,884	-	-
Other administration	7,356	7,251	7,394
Sub-total	**42,786**	**36,799**	**34,479**
Total general administration	**97,187**	**90,542**	**86,992**

3. Income tax expense

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

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Provision for income tax - current year	12,561	12,476	11,853
Under (over) provision in prior years	(407)	(407)	(103)
Decrease (increase) in the deferred tax asset	2	(34)	(798)
Income tax expense attributable to profit	**12,156**	**12,035**	**10,952**

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

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Profit	**42,219**	**41,817**	**36,758**
Prima facie tax payable on operating profit before income tax at 30%	12,666	12,545	11,027
Add: - Tax effect of expenses not deductible	75	75	280
Less: - Tax effect of income not assessable	(1)	(1)	(18)
Sub-total	**12,740**	**12,619**	**11,289**
Add (less): - Adjustments to recognise deferred tax assets	7	43	805
Less: - Franking rebate	(186)	(186)	(241)
Current income tax provision attributable to profit	**12,561**	**12,476**	**11,853**

c. Franking credits

	2015 $'000		2014 $'000
	Consolidated	Parent	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	**154,532**	**154,362**	**139,387**

4. Receivables from financial institutions

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Negotiable certificates of deposit	440,994	440,994	448,777
Term deposits	-	-	7,000
Floating rate notes	172,000	172,000	62,000
Other	26,633	26,633	22,134
Total receivables from financial institutions	**639,627**	**639,627**	**539,911**

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.

	2015 $'000		2014 $'000	
Derivatives designated as cash flow hedges	**Parent & Consolidated**		**Parent**	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	**326**	**7,429**	-	**2,333**

	2015 $'000	2014 $'000
Net movement on derivatives during the year	**Parent & Consolidated**	**Parent**
Recognised in interest income	(306)	(170)
Charged to comprehensive income	(4,465)	(2,092)
Total	**(4,771)**	**(2,262)**

	2015 $'000			2014 $'000		
	Parent & Consolidated			**Parent**		
Notional principal amounts and period of expiry of the interest rate swap contracts	Pay Fixed	Receive Fixed	Notional Amount	Pay Fixed	Receive Fixed	Notional Amount
Within 1 year	48,800	-	48,800	21,100	62,000	83,100
>1 to 2 years	295,200	-	295,200	48,800	-	48,800
>2 to 3 years	252,000	-	252,000	264,200	-	264,200
>3 to 4 years	38,200	-	38,200	-	-	-
>4 to 5 years	27,100	-	27,100	-	-	-
>5 years	1,000	-	1,000	-	-	-
Total	**662,300**	**-**	**662,300**	**334,100**	**62,000**	**396,100**

6. Receivables

	2015 $'000		2014 $'000
	Consolidated	**Parent**	**Parent**
Interest receivable on deposits with other financial institutions	3,676	3,676	9,888
Sundry debtors and settlement accounts	7,161	7,154	6,464
Total receivables	**10,837**	**10,830**	**16,352**

7. Loans and advances

a. Amount due comprises

		2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Overdrafts and credit cards		97,424	97,424	99,205
Term loans		3,979,779	3,979,779	3,586,026
Overdrawn savings		213	213	140
Sub-total		**4,077,416**	**4,077,416**	**3,685,371**
Add:	- Amortised loan origination transaction costs and broker commission net of fees	1,268	1,268	(239)
Sub-total		**4,078,684**	**4,078,684**	**3,685,132**
Less:	- Provision for impaired loans as detailed in Note 8	(1,912)	(1,912)	(2,223)
Total loans and advances to members		**4,076,772**	**4,076,772**	**3,682,909**

b. Credit quality - security held against loans

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Secured by mortgage over real estate	3,806,335	3,806,335	3,388,968
Partly secured by goods mortgage	24,913	24,913	42,093
Wholly unsecured	246,168	246,168	254,310
Total	**4,077,416**	**4,077,416**	**3,685,371**

It is not practicable to value all collateral as at the balance date due to the variety of assets and condition.
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%	2,792,630	2,792,630	2,395,683
- Loan to valuation ratio of more than 80% but mortgage insured	798,402	798,402	802,792
- Loan to valuation ratio of more than 80% and not mortgage insured	215,303	215,303	190,493
Total	**3,806,335**	**3,806,335**	**3,388,968**

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.

	2015 $'000	2014 $'000
Balance of loans held by members who are receiving payments from:	**Parent & Consolidated**	**Parent**
NSW Department of Education (NSW Department of Education & Communities in 2014)	1,541,178	1,556,058
TAFE (included in NSW Department of Education & Communities in 2014)	77,141	-
Other (included in NSW Department of Education & Communities in 2014)	2,780	-
State Super Financial Services	126,532	119,960
ACT Department of Treasury	84,285	79,961
Catholic Education Office	63,996	61,213
Teachers Mutual Bank employees	45,764	44,963

Number of memberships with loans who are receiving payments from:	2015 Number	2014 Number
NSW Department of Education (NSW Department of Education & Communities in 2014)	15,785	17,457
TAFE (included in NSW Department of Education & Communities in 2014)	807	-
Other (included in NSW Department of Education & Communities in 2014)	178	-
State Super Financial Services	3,353	3,200
ACT Department of Treasury	586	604
Catholic Education Office	488	504
Teachers Mutual Bank employees	245	250

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

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

	2015 $'000				2014 $'000			
	Parent & Consolidated				Parent			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	3,323,814	806,583	55	4,130,452	3,035,380	808,232	50	3,843,662
Victoria	95,158	13,156	-	108,314	53,654	13,829	-	67,483
Queensland	137,264	18,823	-	156,087	91,571	19,258	-	110,829
South Australia	24,873	2,339	-	27,212	13,520	1,969	-	15,489
Western Australia	202,765	33,006	-	235,771	167,726	30,576	-	198,302
Tasmania	9,714	2,360	-	12,074	7,961	1,563	-	9,524
Northern Territory	17,743	3,966	-	21,709	15,470	4,291	-	19,761
Australian Capital Territory	174,000	32,060	-	206,060	164,152	30,391	-	194,543
Other	101	5,427	-	5,528	-	2,686	-	2,686
Total	**3,985,432**	**917,720**	**55**	**4,903,207**	**3,549,434**	**912,795**	**50**	**4,462,279**

d. Loans by purpose

	2015 $'000	2014 $'000
	Parent & Consolidated	Parent
Housing loans and facilities	3,985,432	3,549,434
Personal loans and facilities	917,720	912,795
Total - households	**4,903,152**	**4,462,229**
Business loans and facilities	55	50
Total	**4,903,207**	**4,462,279**

e. Securitised loans

Non derecognised securitised loans	2015 $'000	2014 $'000
EdSec Funding Trust No.1	563,433	489,339

8. Provision on impaired loans

a. Total provision comprises

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Collective provision	1,864	1,864	2,187
Individual specific provision	48	48	36
Total provision	**1,912**	**1,912**	**2,223**

b. Movement in the provision for impairment

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Balance at the beginning of year	2,223	2,223	1,646
Add (deduct); - Transfers from (to) statement of comprehensive income	(311)	(311)	577
Balance at end of year	**1,912**	**1,912**	**2,223**

c. Impaired loans written off

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Amounts written off directly to expense	2,578	2,578	2,174
Total bad debts	**2,578**	**2,578**	**2,174**
Bad debts recovered in the period	967	967	1,009

d. Analysis of loans that are impaired or potentially impaired by class

In the Note below:

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

	2015 $'000			2014 $'000		
	Parent & Consolidated			Parent		
Loans to members	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
Housing	3,483,216	11,113	-	3,093,104	8,378	34
Personal	496,775	3,707	900	493,061	3,053	1,173
Credit card	70,856	1,993	871	71,076	1,842	862
RediCredit	26,568	243	140	28,120	294	154
Total - households	**4,077,415**	**17,056**	**1,911**	**3,685,361**	**13,567**	**2,223**
Business	1	1	1	11	1	-
Total	**4,077,416**	**17,057**	**1,912**	**3,685,372**	**13,568**	**2,223**

It is not practicable to determine fair value of collateral at 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

	2015 $'000		2014 $'000	
	Parent & Consolidated		Parent	
	Carrying value	Provision	Carrying value	Provision
Less than 30 days	5,058	-	3,838	36
30 to less than 90 days in arrears	2,570	42	1,475	-
90 to less than 182 days in arrears	4,725	452	2,776	361
182 to less than 273 days in arrears	1,194	229	1,251	317
273 to less than 365 days in arrears	1,371	180	413	330
365 days and over in arrears	33	33	1,853	224
Overdrawn savings/overlimit facilities over 14 days	2,106	976	1,962	955
Total	**17,057**	**1,912**	**13,568**	**2,223**

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

f. Loans with repayments past due but not regarded as impaired

Loans balances of $3.493 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:

	2015 $'000				2014 $'000			
	Parent & Consolidated				Parent			
	>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	1,163	71	-	1,234	3,449	872	150	4,471
Personal	1,115	846	-	1,961	648	117	-	765
Credit card	140	16	-	156	173	21	-	194
RediCredit	122	20	-	142	169	46	-	215
Total	**2,540**	**953**	**-**	**3,493**	**4,439**	**1,056**	**150**	**5,645**

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 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

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Shares in unlisted companies, at cost			
- Cuscal Limited (Cuscal)	4,382	4,382	4,382
- Q.T. Travel Pty. Ltd. (Diploma Travel)	-	-	47
Total value of investments	**4,382**	**4,382**	**4,429**
Less provisions for amortisation			
Q.T. Travel Pty. Ltd.	-	-	(46)
Total available for sale investments	**4,382**	**4,382**	**4,383**

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 2015 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

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Shares in subsidiary			
- Q.T. Travel Pty. Ltd.	-	47	-
Total value of investments	**-**	**47**	**-**
Less: provisions for amortisation - Q.T. Travel Pty. Ltd.	-	(46)	-
Total available for sale investments	**-**	**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 original purchase price has been amortised to $1,003. The shares are not able to be traded and are not redeemable.

The consolidated financial statements include the financial statements of the ultimate parent Teachers Mutual Bank Limited and the subsidiaries listed in the following table:

Name of Entity	Equity Interest		Investment	
	2015	2014	2015 $'000	2014 $'000
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	100%	33%	1	1

11. Property, plant and equipment

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Land, at cost	**8,633**	**8,633**	**8,633**
Buildings, at cost	24,263	24,263	23,716
Less: - Provision for depreciation	(13,542)	(13,542)	(12,921)
Net building	**10,721**	**10,721**	**10,795**
Total land and buildings	**19,354**	**19,354**	**19,428**
Plant and equipment, at cost	29,154	29,043	24,782
Less: - Provision for depreciation	(19,926)	(19,818)	(17,720)
Total plant and equipment	**9,228**	**9,225**	**7,062**
Capitalised leasehold improvements, at cost	972	972	985
Less: - Provision for amortisation	(883)	(883)	(863)
Total capitalised leasehold improvements	**89**	**89**	**122**
Total property, plant and equipment	**28,671**	**28,668**	**26,612**

Movement in the asset balances during the year

Consolidated

2015 $'000	Land	Buildings	Plant & equipment	Leasehold improvement	Total
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

2015 $'000	Land	Buildings	Plant & equipment	Leasehold improvement	Total
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**

Parent

2014 $'000	Land	Buildings	Plant & equipment	Leasehold improvement	Total
Opening balance	8,633	10,624	7,463	129	26,849
Additions	-	1,038	2,788	61	3,887
Less: - Assets disposed	-	(262)	(423)	-	(685)
Less: - Depreciation charge	-	(605)	(2,766)	(68)	(3,439)
Closing balance	**8,633**	**10,795**	**7,062**	**122**	**26,612**

12. Taxation assets

Deferred tax assets comprise:	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Accrued expenses not deductible until incurred	164	164	177
Provisions for impairment on loans	602	602	710
Provisions for employee benefits	5,578	5,555	5,233
Provisions for other liabilities	116	116	263
Depreciation on fixed assets	235	235	229
Prepaid loan expenses	-	-	-
Amortisation of intangible assets	22	22	48
Deferred tax assets	**6,717**	**6,694**	**6,660**
Other tax assets			
GST debtor	89	86	96
Land tax	140	140	93
Total taxation assets	**6,946**	**6,920**	**6,849**

13. Intangible assets

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Computer software, at cost	13,733	13,685	11,503
Less: - Provision for amortisation	(8,874)	(8,826)	(7,249)
Total intangible assets	**4,859**	**4,859**	**4,254**

Movement in balance during the year			
Opening balance	4,254	4,254	3,826
Additions	2,253	2,252	1,781
Less: - amortisation charge	(1,644)	(1,643)	(1,353)
Less: - assets disposed	(4)	(4)	-
Balance at the end of the year	**4,859**	**4,859**	**4,254**

14. Wholesale sector funding

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Negotiable certificates of deposit issued	288,448	288,448	320,930
Floating rate notes issued	70,166	70,166	-
Total wholesale sector funding	**358,614**	**358,614**	**320,930**

15. Retail deposits

a. Retail deposits

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
At call	2,114,599	2,115,111	1,801,439
Term	1,955,435	1,955,435	1,871,986
Member withdrawable shares	1,660	1,660	1,619
Total retail deposits	**4,071,694**	**4,072,206**	**3,675,044**

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	2015 $'000	2014 $'000
State Super Financial Services	1,143,847	1,003,298
NSW Department of Education (NSW Department of Education & Communities in 2014)	553,426	601,942
TAFE (included in NSW Department of Education & Communities in 2014)	36,913	-
Other (included in NSW Department of Education & Communities in 2014)	25,498	-

Number of depositors who are receiving payments from	2015 Number	2014 Number
State Super Financial Services	13,962	13,245
NSW Department of Education (NSW Department of Education & Communities in 2014)	30,486	34,544
TAFE (included in NSW Department of Education & Communities in 2014)	1,594	-
Other (included in NSW Department of Education & Communities in 2014)	390	-

iii) **Geographical concentrations**	**2015 $'000**	**2014 $'000**
New South Wales	3,764,998	3,410,784
Victoria	45,694	33,672
Queensland	66,512	59,018
South Australia	9,773	8,401
Western Australia	34,874	30,233
Tasmania	13,179	10,821
Northern Territory	7,455	9,015
Australian Capital Territory	81,251	66,212
Other	46,596	45,267
Total	**4,070,332**	**3,673,423**

16. Creditors, accruals and settlement accounts

	2015 $'000		**2014 $'000**
	Consolidated	**Parent**	**Parent**
Creditors and accruals	9,051	8,943	7,965
Unearned income	965	965	1,007
Settlement accounts	916	916	476
Total creditors, accruals and settlement accounts	**10,932**	**10,824**	**9,448**

17. Taxation liabilities

	2015 $'000		**2014 $'000**
	Consolidated	**Parent**	**Parent**
Current income tax liability	513	428	3,216
Other tax liabilities	381	380	376
Total taxation liabilities	**894**	**808**	**3,592**

Current income tax liability comprises			
Balance from the previous year	3,208	3,216	3,003
Less: - Paid	(2,813)	(2,809)	(2,900)
Over (under) statement in prior year	**395**	**407**	**103**
Liability for income tax in current year	12,679	12,594	11,848
Less: - Instalments paid in current year	(12,166)	(12,166)	(8,632)
Current income tax liability	**513**	**428**	**3,216**

18. Provisions

	2015 $'000		**2014 $'000**
	Consolidated	**Parent**	**Parent**
Employee entitlements	18,486	18,411	17,843
Lease make good of premises	83	83	79
Director development	212	212	215
Total provisions	**18,781**	**18,706**	**18,137**

Movement in Employee entitlements provisions	**2015 $'000**		**2014 $'000**
	Consolidated	**Parent**	**Parent**
Opening balance	17,843	17,843	15,670
Less: - Paid	(2,907)	(2,875)	(2,839)
Liability increase	3,550	3,443	5,012
Closing balance	**18,486**	**18,411**	**17,843**

Movement in lease make good of premises provisions:	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Opening balance	79	79	83
Less: - Paid	-	-	(4)
Liability increase	4	4	-
Closing balance	**83**	**83**	**79**

Movement in Director development provisions:	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Opening balance	215	215	177
Less: - Paid	(18)	(18)	(11)
Liability increase	15	15	49
Closing balance	**212**	**212**	**215**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 0.245%-3.305% (2014: 0.415%-3.905%). The latest annual CPI rate available was used - March 2015: 1.3% (March 2014: 2.9%).

Lease make good: The rates applied to give effect to the discount of cash flows were 1.94%-1.99% (2014: 2.53%-2.78%).

19. Capital reserve

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Opening balance	553	553	514
Transfer from retained earnings on share redemptions	35	35	39
Total capital reserve	**588**	**588**	**553**

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

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Opening balance	13,690	13,690	13,709
Increase (decrease) transfer from retained earnings	(4,218)	(4,218)	(19)
Total general reserve for credit losses	**9,472**	**9,472**	**13,690**

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

21. Cash flow hedge reserve

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Opening balance	(2,156)	(2,156)	(64)
Increase (decrease) transfer from retained earnings	(4,465)	(4,465)	(2,092)
Total cash flow hedge reserve	**(6,621)**	**(6,621)**	**(2,156)**

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

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 a separate Audit and a separate Risk and Compliance Committee, each comprising four Directors, to oversee financial reporting and the effectiveness of audits, the management of risk and the program of compliance. The Committee is 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 process;
- Reviewing the processes established by management to ensure the requirements of APRA's Prudential Standards and the Corporations Act are being adhered to; and
- Monitoring compliance with all other internal, regulatory, prudential, legal, adopted industry and ethical requirements and standards.

The Board has established a Large Exposures Committee comprising five Directors. This committee 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 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.

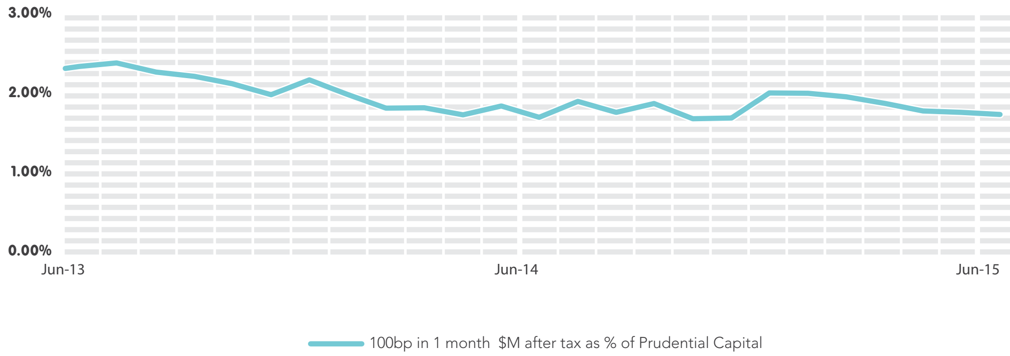
Liquidity risk

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.

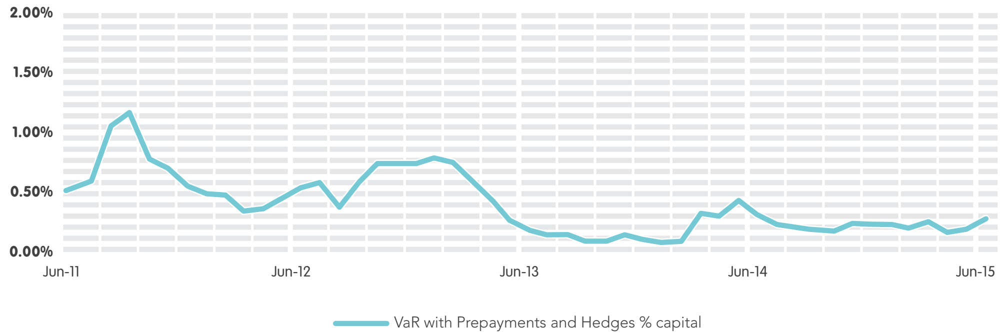
The Group manages liquidity risk by:

- 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.

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: Effective from the April 2015 an approved change in methodology for sensitivity reporting from treating all loans approved not advanced (LANA) as an exposure to only rate locked LANA as an exposure. This change effects Value at Risk and Sensitivity measures.

The Group has set out in Note 24 the maturity profile of the financial liabilities, 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, the Management and Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits either from Authorised Deposit-taking Institutions (ADIs), retail and wholesale depositors, or borrowing facilities available. Note 28 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 has been re-defined for 30 June 2014 from total on-statement of financial position liabilities including equity and irrevocable commitments, less capital base defined in accordance with Prudential Standard APS 111 Capital Adequacy to total on-statement of financial position liabilities and irrevocable commitments.

	2015	2014
Total adjusted liabilities	**4,472,015,208**	**4,539,416,779**
As at 30 June	13.94%	13.85%
Average for the year	15.27%	15.58%
Minimum during the year	13.43%	13.55%

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.

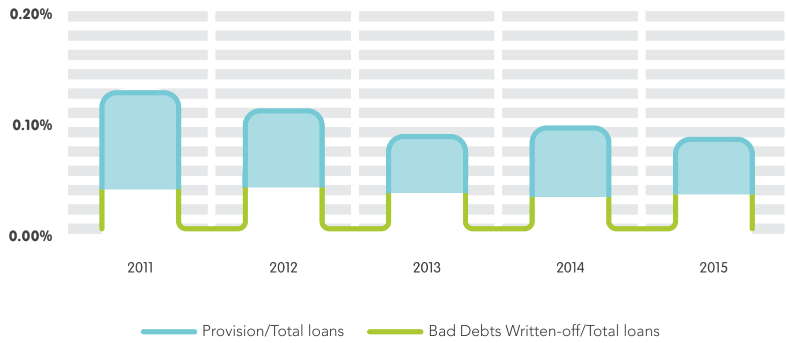
Concentrations are described in Note 7c. The Group has a concentration in retail lending to members who are predominantly employees in the Australian education sector and their families. This concentration is considered acceptable on the basis that the Group was formed to service these members, the industry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

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

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

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

Provision/total loans and bad debts written off/total loans

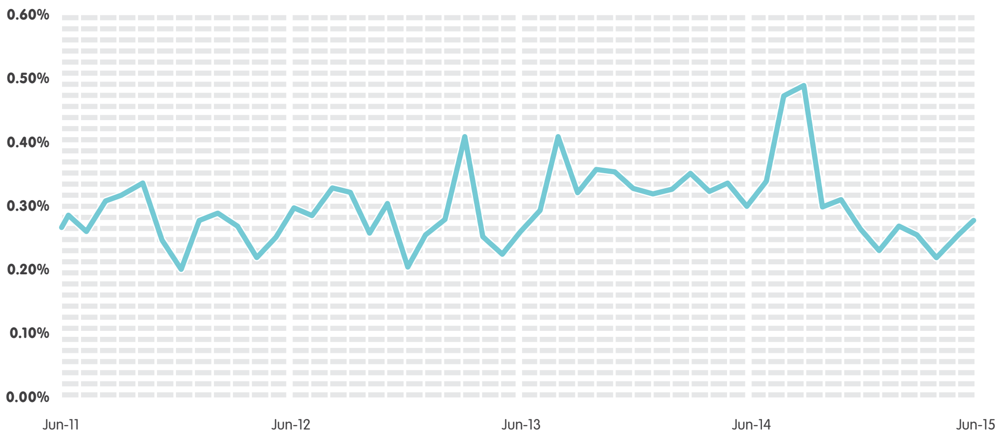


Collateral securing loans

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



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 approves individual credit limits.

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

				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**	**-**	**-**

				2014
Investments with:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs rated A-1+ to A-1 (short-term)	6	246,363,405	-	-
ADIs rated A-2 or P-2 (short-term)	8	326,853,484	-	-
ADIs rated AA+ to AA- (long-term)	2	47,000,000	-	-
ADIs rated A+ to A- (long-term)	4	29,424,319	-	-
Total		**649,641,208**	**-**	**-**

*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 polices, processes and systems to minimise the likelihood and impact of risk events. Some of these controls are:

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

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

Outsourcing arrangements

The Group maintains arrangements with other organisations to facilitate the supply of services to members. 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 rediCards and Visa cards;
ii. supplies Visa cards and rediCards;
iii. provides settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY and Visa card transactions;
iv. operates the switching computer used to link rediCards and 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.

			2015
On-statement of financial position exposures	**Carrying value**	**Risk weighting**	**Risk weighted amount**
Cash	1,284,975	-	-
Deposits in highly rated ADIs	392,818,864	20%	78,563,773
Deposits in less highly rated ADIs	332,808,649	50%	166,404,324
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	3,252,216,730	35%	1,138,275,855
Standard loans secured against eligible residential mortgages over 80% LVR	543,007,858	50-75%	274,268,708
Other standard mortgage loans	4,019,041	100%	4,019,041
Non-standard mortgage loans	7,015,238	35-100%	4,474,400
Other loans	269,244,852	100%	269,244,852
Other assets	42,377,536	100%	42,377,536
Total	**4,844,793,743**		**1,977,628,489**

					2015
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	155,965,766	100%	155,965,766	35%-100%	68,929,652
Redraws available	396,660,398	50%	198,330,199	35%-100%	74,298,456
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	273,164,351	-	-	-	-
Possible contribution to CUFSS Limited	155,291,139	-	-	-	-
Total	**981,081,754**		**354,296,065**		**143,228,208**

						2015
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	48,800,000	-	-	-	-	-
Residual maturity > 1 year to 5 years	612,500,000	0.5%	3,062,500	323,378	3,385,878	677,176
Residual maturity > 5 years	1,000,000	1.5%	15,000	-	15,000	3,000
Total	**662,300,000**		**3,077,500**	**323,378**	**3,400,878**	**680,176**
Total weighted credit risk exposures						**2,121,536,873**

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-12	30-Jun-13	31-Dec-13	30-Jun-14	31-Dec-14	30-Jun-15
Total gross outstanding loans and advances for retail banking	3,212,036,658	3,335,287,137	3,403,852,715	3,686,723,392	3,836,847,647	4,078,699,699
- multiplied by 3.5% scaling factor	112,421,283	116,735,050	119,134,845	129,035,319	134,289,668	142,754,489
- multiplied by 12% risk factor	13,490,554	14,008,206	14,296,181	15,484,238	16,114,760	17,130,539
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**15,087,413**

Operational risk capital requirement for commercial banking						
Total gross outstanding loans and advances for commercial banking	687,158,408	684,350,086	759,279,481	627,518,223	768,823,669	698,995,359
- multiplied by 3.5% scaling factor	24,050,544	23,952,253	26,574,782	21,963,138	26,908,828	24,464,838
- multiplied by 15% risk factor	3,607,582	3,592,838	3,986,217	3,294,471	4,036,324	3,669,726
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						**3,697,860**

Operational risk capital requirement for all other activity						
Adjusted gross income	2,075,673	3,722,777	2,484,320	3,524,209	2,568,555	4,978,066
- multiplied by 18% risk factor	373,621	670,100	447,178	634,358	462,340	896,052
Average of the 3 annual results = Total operational risk capital requirement for all other activity						**1,161,216**

Total operational risk capital requirement	**19,946,489**
Risk Weighted Asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**249,331,107**
Total credit and operational risk weighted	**2,370,867,980**

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:	2015	2014
Tier 1 Common Equity	379,565,012	350,009,661
Less: - Prescribed deductions	(15,934,652)	(15,295,600)
Tier 1 capital	**363,630,360**	**334,714,061**
Tier 2 Reserve for credit losses	9,472,250	13,061,148
Tier 2 capital	**9,472,250**	**13,061,148**
Total capital	**373,102,610**	**328,411,757**

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2015	2014	2013	2012	2011
15.74%	15.72%	15.98%	15.85%	15.65%

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
  - strategic risk
- Risks arising from external factors such as business cycles effects and the macroeconomic environment.

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

Risks requiring uplift

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

Strategic Risk

- Business environment risk
- Business opportunities

Credit Risk

- Investing - counterparty default risk

Operational Risk

Market Risk

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

An additional 4% capital was determined to be adequate to cover these risks.

Internal capital adequacy management

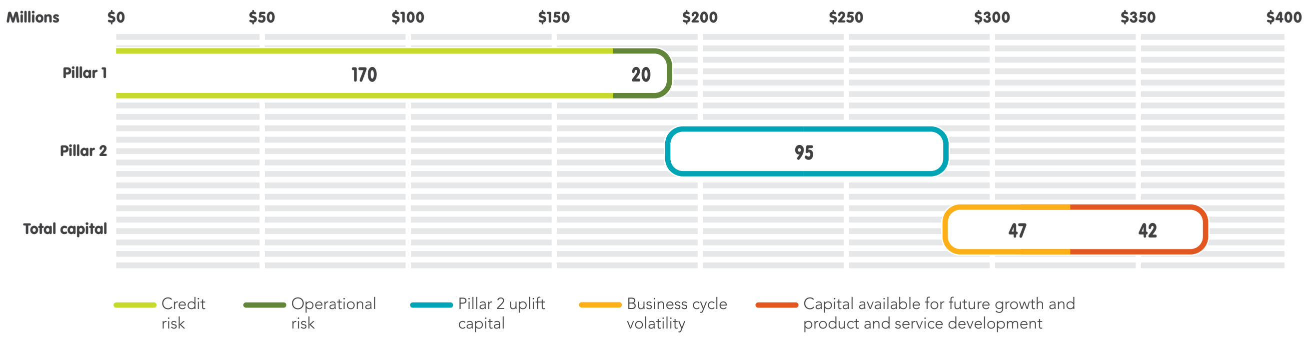
The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Group's forecasts for 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 resources models produced and the impact upon the overall capital position of the Group is reassessed.

Buffer for business cycle volatility

Based on historical fluctuations in capital the Group incorporates a contingency buffer of 2% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risks identified above.

	2015		
	RWA	Minimum capital required	% Equivalent of RWA
Credit risk	2,121,536,873	169,722,950	8.00%
Operational risk	249,331,107	19,946,489	8.00%
Total	**2,370,867,980**	**189,669,439**	**8.00%**
Pillar 2 uplift capital		94,834,719	4.00%
ICAAP capital required		284,504,158	12.00%
Buffer for business cycle volatility		47,417,360	2.00%
Capital available for future growth and product and service development		41,181,092	1.74%
Risk-based capital ratio		**373,102,610**	**15.74%**
Common equity Tier 1 capital ratio		**363,630,360**	**15.34%**
Tier 1 capital ratio		**363,630,360**	**15.34%**
Tier 2 capital ratio		**9,472,250**	**0.40%**

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)	2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Cash on hand and deposits at call		87,285	87,285	111,093
Receivables from financial institutions	4	639,627	639,627	539,911
Receivables	6	10,837	10,830	16,352
Loans and advances to members	7 & 8	4,076,772	4,076,772	3,682,909
Total carried at amortised cost		**4,814,521**	**4,814,514**	**4,350,265**
Cash flow hedge derivative assets - carried at fair value	5	326	326	-
Available for sale investment and investments in controlled entities - carried at fair value	9	4,382	4,383	4,383
Total financial assets		**4,819,229**	**4,819,223**	**4,354,648**
Financial liabilities - carried at amortised cost				
Borrowings		3,428	3,428	-
Wholesale sector funding	14	358,614	358,614	320,930
Retail deposits	15	4,071,694	4,072,206	3,675,044
Creditors, accruals and settlement accounts	16	10,932	10,824	9,448
Total carried at amortised cost		**4,444,668**	**4,445,072**	**4,005,422**
Cash flow hedge derivative liabilities - carried at fair value	5	7,429	7,429	2,333
Total financial liabilities		**4,452,097**	**4,452,501**	**4,007,755**

b. Assets measured at fair value

Consolidated	2015 $'000	Level 1	Level 2	Level 3
Cash flow hedge derivatives	326	-	326	-
Available for sale investments	4,382	-	-	4,382
Total	**4,382**	**-**	**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	**4,383**	**-**	**326**	**4,383**

Parent	2014 $'000	Level 1	Level 2	Level 3
Cash flow hedge derivatives	-	-	-	-
Available for sale investments	4,383	-	-	4,383
Total	**4,383**	**-**	**-**	**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 in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are stated at undiscounted values (including future interest expected to be earned or paid), and will not equate to values in the statement of financial position.

Consolidated

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 asset	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 derivatives 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 derivatives asset	326	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**

Parent

2014 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	111,093	-	-	-	-	-	**111,093**	111,093
Receivables from financial institutions (restated)	98,780	188,868	190,263	62,000	-	-	**539,911**	539,911
Receivables	9,256	5,132	5,737	535	-	-	**20,660**	16,352
Loans and advances to members	39,181	77,772	342,885	1,199,448	4,620,419	-	**6,279,705**	3,682,909
Available for sale investments	-	-	-	-	-	4,383	**4,383**	4,383
Total financial assets	**258,310**	**271,772**	**538,885**	**1,261,983**	**4,620,419**	**4,383**	**6,955,752**	**4,354,648**
2014 Liabilities $'000								
Wholesale sector funding	85,000	156,035	82,033	-	-	-	**323,068**	320,930
Retail deposits	1,897,189	671,169	752,817	385,967	-	2,226	**3,709,368**	3,675,044
Cash flow hedge derivative liabilities	965	1,553	986	2,136	-	-	**5,640**	2,333
Creditors, accruals and settlement accounts	9,448	-	-	-	-	-	**9,448**	9,448
Total financial liabilities	**1,992,602**	**828,757**	**835,836**	**388,103**	**-**	**2,226**	**4,047,524**	**4,007,755**

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 our 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

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 asset	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	-	**10,932**
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 derivatives asset	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 derivatives liabilities	7,429		**7,429**
Total financial liabilities	**3,944,973**	**507,528**	**4,452,501**

Parent

2014 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	111,093	-	**111,093**
Receivables from financial institutions (restated)	477,911	62,000	**539,911**
Receivables	16,352	-	**16,352**
Loans and advances to members	263,869	3,421,502	**3,685,371**
Available for sale investments	-	4,383	**4,383**
Total financial assets	**869,225**	**3,487,885**	**4,357,110**

2014 Liabilities $'000	Within 12 months	After 12 months	Total
Wholesale sector funding	320,930	-	**320,930**
Retail deposits	3,302,817	372,227	**3,675,044**
Cash flow hedge derivative liabilities	2,333	-	**2,333**
Creditors, accruals and settlement accounts	9,448	-	**9,448**
Total financial liabilities	**3,635,528**	**372,227**	**4,007,755**

26. Interest rate change profile of financial assets and liabilities

Financial asset and liability contracts allow interest rates to be amended on maturity (term deposits and term investments) 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

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 derivatives asset	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 liabilities	**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 asset	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**

Parent

2014 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	109,730	-	-	-	1,363	**111,093**
Receivables from financial institutions	128,780	220,868	190,263		-	**539,911**
Receivables	-	-	-	-	16,352	**16,352**
Loans and advances to members	2,710,827	23,992	117,364	833,017	171	**3,685,371**
Available for sale investments	-	-	-	-	4,383	**4,383**
Total financial assets	**2,949,337**	**244,860**	**307,627**	**833,017**	**22,269**	**4,357,110**

2014 Liabilities $'000						
Wholesale sector funding	84,890	155,205	80,835	-	-	**320,930**
Retail deposits	1,896,744	667,357	738,716	370,001	2,226	**3,675,044**
Cash flow hedge derivative liabilities	942	1,391	-		-	**2,333**
Creditors, accruals and settlement accounts	-	-	-	-	9,448	**9,448**
On-statement of financial position	1,982,576	823,953	819,551	370,001	11,674	**4,007,755**
Undrawn loan commitments Notes 28a, 28b and 28c (restated)	776,908	-	-	-	-	**776,908**
Total financial assets	**2,759,484**	**823,953**	**819,551**	**370,001**	**11,674**	**4,784,663**

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

						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 asset	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**

			2014 $'000
			Parent
Assets	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	111,093	111,093	-
Receivables from financial institutions	540,224	539,911	313
Receivables	16,352	16,352	-
Loans and advances to members	3,681,716	3,682,909	(1,193)
Available for sale investments	4,383	4,383	-
Total financial assets	**4,353,768**	**4,354,648**	**(880)**
Liabilities			
Wholesale sector funding	320,953	320,930	23
Retail deposits	3,680,274	3,675,044	5,230
Cash flow hedge derivative liabilities	2,333	2,333	-
Creditors, accruals and settlement accounts	9,448	9,448	-
Total financial liabilities	**4,013,008**	**4,007,755**	**5,253**

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 2.09%-2.76% (2014: 2.71%-3.40%). 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 4.15%-11.50% (2014: 4.82%-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 deposits: The rates applied to give effect to the discount of cash flows were 2.19%-2.80% (2014: 2.87%-3.42%).

Retail deposits: The rates applied to give effect to the discount of cash flows were 1.98%-3.09% (2014: 2.50%-3.89%).

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

28. Financial commitments

a. Outstanding loan commitments

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Loans approved but not funded	**155,966**	**155,966**	**124,983**

b. Loan redraw facilities

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Loan redraw facilities available	**396,660**	**396,660**	**384,949**

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows:		2015 $'000		2014 $'000
		Consolidated	Parent	Parent
Total value of facilities approved		370,436	370,436	366,051
Less:	Amount advanced	(97,272)	(97,272)	(99,075)
Net undrawn value		**273,164**	**273,164**	**266,976**

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:	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Not later than one year	1,303	1,303	275
Total	**1,303**	**1,303**	**275**

e. Computer capital commitments

	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Not later than one year	209	209	191
Total	**209**	**209**	**191**

f. Lease expenditure commitments

Operating leases on property occupied by the Group	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Not later than one year	839	839	720
Later than 1 year but not 2 years	790	790	808
Later than 2 years but not 5 years	676	676	1,286
Over 5 years	7	7	-
Total	**2,312**	**2,312**	**2,814**

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:

			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**

			2014 $'000
Parent	Gross	Current borrowings	Net available
Overdraft facility	25,000	-	25,000
Total standby borrowing facilities	**25,000**	**-**	**25,000**

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 $90,000, $60,000 with Queensland Teachers Mutual Bank and $30,000 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 2015 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 Authorised Deposit Taking Institutions (ADIs) in the event of a liquidity or capital problem. The Parent is committed to maintaining a balance equivalent to 3.2% of its total assets as deposits in an approved form.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating mutual ADI member is 3.2% of the Parent's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating ADI's irrevocable commitment under the ISC.

31. Disclosures on Directors, other key management personel 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 is 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 Teachers Mutual Bank Limited (2014-2015) responsible for the day-to-day financial and operational management of the Group.

The aggregate compensation of Directors and other KMP during the year comprising amounts paid or payable or provided for was as follows:

					2015 $'000
Directors	**Short-term**	**Post-employment**	**Motor vehicle**	**Net increases in long service leave provision**	**Total**
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 KMP	3,070	290	68	261	3,689

					2014 $'000
Directors	**Short-term**	**Post-employment**	**Motor vehicle**	**Net increases in long service leave provision**	**Total**
Short-term employee benefits:					
J Kouimanos	67	31	13	-	**111**
L Green	78	7	-	-	**85**
T Carlin	62	6	-	-	**68**
M Collopy	34	40	-	-	**74**
J Leete	60	5	-	-	**65**
G Lockwood	44	25	-	-	**69**
C McEvedy*	62	6	-	-	**68**
M O'Neill	62	6	-	-	**68**
M O'Halloran	59	8	-	-	**67**
Short-term employee benefits – other	21	-	-	-	**21**
Reimbursement to Employer	8	-	-	-	**8**
Total	**557**	**134**	**13**	**0**	**704**
Other KMPs	2,921	250	70	164	3,405

*Resigned 15/4/2015.

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 applying to members for each class of loan or deposit. There are no loans impaired relating to Directors or other KMP.

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

	2015 $'000			2014 $'000		
	Mortgage term loans	Other term loans	Revolving credit facilities	Mortgage term loans	Other term loans	Revolving credit facilities
Funds available to be drawn	990	-	180	2,009	-	162
Balance	1,865	34	47	2,134	22	60
Amounts disbursed or facilities increased in the year	-	27	5	576	-	1
Interest and other revenue earned	111	4	9	122	4	8

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

	2015 $'000	2014 $'000
Total value term and savings deposits from Directors and other KMPs	**5,237**	**3,915**
Total interest paid on deposits to Directors and other KMPs	**118**	**122**

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	2015 $'000	26	-	5

Any discounts received on travel by Directors and other KMP are also available to any employee of the Group.

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. There are no service contracts to which Directors and KMP or their close family members are an interested party.

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. The Group has no interest in the Superannuation Plan other than as a 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. Teachers Mutual Bank employees represent 2 of the total of 12 employees of the plan and 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. Each employer is not liable to meet the obligations of the other entities under CUE super 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 2015 quarterly financial update, the defined benefit sub-plan in the NGS Super Plan remained in a satisfactory financial condition.

34. Transfers of financial assets

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

i. Securitised loans retained off-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 $268 million in loans (2014: $546 million) to the Trust.

	2015 $'000	2014 $'000
Total amount of securitised loans under management	**563,433**	**489,339**

35. Notes to statement of cash flows

a. Reconciliation of cash

Cash includes cash on hand, and deposits at call with other financial institutions and comprises	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Cash on hand and deposits at call	83,857	83,857	111,093

b. Reconciliation of cash from operations to accounting profit

The net cash increase/(decrease) from operating activities is reconciled to the profit after tax	2015 $'000		2014 $'000
	Consolidated	Parent	Parent
Profit after income tax	**30,063**	**29,872**	**25,806**
Add (less):			
- Provision for impairment and bad debts written off (net)	2,578	2,578	2,174
- Depreciation of property, plant and equipment	5,215	5,209	4,792
- Provision for employee entitlements	569	569	2,173
- Other provisions	(236)	(311)	607
- Loss on disposal of plant and equipment (net)	45	45	(127)
- Bad debts recovered	(967)	(967)	(1,009)
Changes in assets and liabilities			
- Prepaid expenses and sundry debtors	(584)	(578)	(22)
- Accrued expenses and sundry creditors	(50)	(160)	225
- Interest receivable	6,210	6,210	810
- Interest payable	(1,807)	(1,807)	(5,072)
- Other income receivable	65	65	(71)
- Unearned income	(42)	(42)	78
- Increases in loans and advances to members	(395,163)	(395,163)	(333,095)
- Increase in retail deposits	399,725	400,244	143,224
- Provision for income tax	(2,719)	(2,804)	190
- Deferred tax assets	(57)	(34)	(800)
Net cash flows from operating activities	**42,845**	**42,836**	**(160,117)**

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

The Parent accepted a transfer of business from The University Credit Society Limited (Unicredit), including it's subsidary Tertiary Travel Services Pty. Ltd. effective 1 August 2015. All shares in Unicredit were redeemed and replaced with Teachers Mutual Bank shares. The transfer will ensure that Unicredit members are serviced by a merged entity that is well positioned to continue meeting the evolving financial services needs of present and future members.

The total assets of Unicredit as at 1 August 2015 amounted to approximately $190 million based on unaudited accounts.

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

37. Corporate information

Teachers Mutual Bank Limited is a company limited by shares, and is registered under the Corporations Act (Cth) 2001. 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 the members of the bank.

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; and

(b) give a true and fair view of the financial position of the Group as at 30 June 2015 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
31 August 2015

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Sydney NSW 2000

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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 2015, 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 company 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.

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 2015 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

Neville Sinclair
Partner - Audit & Assurance
Sydney, 31 August 2015

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Nancy,
Personal Assistant

Thank you to **Arthur Phillip High School** and **Hunters Hill High School** for allowing us to use their schools as the locations for the photos in this report.

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

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Sydney NSW 2000

Affiliates

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

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