ANNUAL FINANCIAL REPORT

2014-15

Defence Bank

Contents

Directors' report

The directors present their report together with the financial statements of Defence Bank Limited ("Defence Bank" or "the Bank") and the consolidated financial statements for the consolidated group ("the Group") comprising Defence Bank Limited and its controlled entities, for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors in office during or since the end of the financial year and their roles as at the date of this report are as follows:

Name	Qualifications and Roles	Appointment period
Colonel (Retired) Paul MULRANEY, CSC	BCom, MSc (Def Studies), CPA, FAICD, FAIM, MAMI, psc *(Chair of the Board and Chair of the Executive Committee)*	Initially elected to the Board on 23 November 1998. Most recently re-elected to the Board on 24 November 2013.
Lieutenant Colonel Craig Duncan MADDEN	BA, MMgt, DipMilEng, FAICD, MAMI, psc *(Deputy Chair of the Board and Chair of the Remuneration Committee)*	Initially elected to the Board on 28 November 2005. Most recently re-elected to the Board on 24 November 2014.
Ms Frances Helen RAYMOND	BCom, MBA, FCA, AFAIM, FAICD, MAMI, GDPPM, FSAA *(Chair of the Audit Committee)*	Initially appointed to the Board on 2 December 2010. Most recently re-elected to the Board on 24 November 2014.
Mr Bruce Andrew MURPHY	BSc, MCom, PGD, CAIA, GAICD *(Chair of the Risk and Compliance Committee)*	Initially appointed to the Board on 5 May 2012. Most recently elected to the Board on 24 November 2013.
Group Captain Callum Soutar BROWN	BA, MBA, DBA, MDefStud, FAICD, AFAIM, MAHRI, MAMI, psc *(Chair of the Defence Bank Foundation and Board Proctor)*	Initially elected to the Board on 25 November 1996. Most recently re-elected to the Board on 26 November 2012.
Group Captain (Retired) David Cyril PAYNE	BEc (ANU), MSc (USAFIT), DipTpt, GradDipStratStud, FAICD, FAMI, jssc, psc	Initially appointed to the Board on 6 May 1988. Most recently re-elected to the Board on 26 November 2012.
Lieutenant Peter John MASON	DipAppSc, GradDipCompStud, MACS(snr), SF Fin, MAICD, RANR	Initially elected to the Board on 24 November 2013.
Jon Michael LINEHAN	BEc(Hons), MCom, LLB, FAICD, MAMI, SA Fin *(Managing Director and Chief Executive Officer)*	Initially appointed to the Board on 30 January 2015.

Directors' report

Information about the company secretaries

The names and particulars of the secretaries during or since the end of the financial year are as follows:

Name	Qualifications and Roles	Appointment period
Jon Michael LINEHAN	BEc(Hons), MCom, LLB, FAICD, MAMI, SA Fin *(Chief Executive Officer)*	Appointed 18 September 2006. Resigned 30 January 2015.
Dean John BARTON	BCom, F Fin, CPA *(Chief Financial Officer)*	Appointed 23 September 2011.
Amanda Mary GORE	BA, LLB, LLM (IP), GAICD	Appointed 30 January 2015.

Directors' meetings

The number of Board and Committee meetings during the year attended by each director, in their capacity as a director, were as follows:

Directors	Board		Committees									
			Audit		Risk and Compliance		Nominations		Remuneration		Executive	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
P Mulraney [1]	10	10	2	2	2	2	-	-	2	2	4	4
C D Madden	10	10			4	4	-	-	2	2	4	4
F H Raymond [2]	10	10	3	3	4	3	-	-	2	2	-	-
B A Murphy	10	10	3	3	4	4	-	-	-	-	-	-
C S Brown	10	8	-	-	-	-	1	1	-	-	-	-
D C Payne	10	9	1	-	2	2	-	-	-	-	-	-
P J Mason [3]	10	7	3	2	-	-	-	-	-	-	-	-
J M Linehan [4][5][6][7][8]	5	5	-	-	-	-	-	-	-	-	2	2

(1) P Mulraney attended 2 further meetings of the Risk and Compliance Committee as an observer.

(2) F H Raymond attended 2 meetings of the Executive Committee as an observer.

(3) P J Mason was granted leave of absence for 3 Board meetings due to active service requirements.

(4) J M Linehan attended a further 5 meetings of the Board in his capacity as CEO.

(5) J M Linehan attended a further 2 meetings of the Executive Committee in his capacity as CEO.

(6) J M Linehan attended 2 meetings of the Remuneration Committee in his capacity as CEO.

(7) J M Linehan attended 4 meetings of the Risk and Compliance Committee in his capacity as CEO.

(8) J M Linehan attended 2 meetings of the Audit Committee in his capacity as CEO.

Principal activities

The principal activities of the Group during the financial year were the raising of funds and the application of those funds in providing financial products and services to its members.

Review of operations

a. Operating profit

During the financial year the Group earned a net profit of $8,743 thousand (2014: $8,373 thousand) after providing $3,665 thousand (2014: $3,474 thousand) for income tax expense.

Review of operations (continued)

b. Deposit and lending growth

During the financial year the Group grew deposits and lending as follows:

	2015 $000	2014 $000	Increase / (Decrease) $000	Increase / (Decrease) %
Total assets	1,608,470	1,465,850	142,620	9.7
Total deposits	1,450,025	1,316,788	133,237	10.1
Total equity	140,212	131,469	8,743	6.7
Net loans and advances	1,335,277	1,194,596	140,681	11.8
Securitised housing loans (off balance sheet)	33,918	43,616	(9,698)	(22.2)
Total loans and advances (on and off balance sheet)	1,369,195	1,238,212	130,983	10.6

c. Branch network

The Bank remains committed to providing excellent service to its members through the largest network of branches in the Australian Defence Force (ADF). The Bank assesses its branch network on an ongoing basis to take into account operational changes within the ADF, as well as the increasing preference of members to transact online. During the financial year the Bank made a decision to transition the Larrakeyah and Victoria Barracks (Sydney) branches to appointment only branches. In addition, the Bank has also successfully relocated the Vincent (Townsville) branch to its new location within Willows Shopping Centre and refurbished the East Sale and Bourke Street branches. The new branches showcase the Bank's 'Branch of the Future' design, incorporating interactive technology and tailored member experience zones.

d. Products and services

The Bank continues to place a strong emphasis on improving the banking experience for our members whilst offering great value and competitive products, such as the Essentials Home Loan and the Ultimate Home Loan Package, which were introduced during the financial year. The Ultimate Home Loan package offers members a 0.80% discount on their home loan rate, free transaction banking, no loan origination costs, preferential term deposits rates and discounts on insurance for the payment of a single annual fee. The Ultimate Home Loan package has been well received by members with most new lending being originated under this package offer.

Over the course of the financial year, Defence Bank Super has continued to grow significantly as a product that provides members an easier way to manage their financial future. Defence Bank Super is a highly innovative product that is low cost and easily accessible through Online Banking.

The Bank's products continue to offer great value to members and this has been recognised once again this year with a number of industry awards. The Bank was awarded CANSTAR 5 Star Ratings for outstanding value in respect of its New Car and Used Car Loans as well as its Deposit Account.

e. Social Media

The Bank also launched its social media strategy during the course of the financial year by establishing a presence upon both Facebook and Twitter. This has allowed the Bank to better connect with the 'millennial generation' that represent a growing segment of the membership base.

f. Video Banking

During the year the bank launched a mobile app for both Apple and Android devices that enables members to make video calls to the Bank's video call centre in Melbourne. The Video Banking app is the first of its kind in the world and offers the Bank's remote members another convenient channel with which to contact the Bank.

g. Community Involvement

The Bank has continued its support of the Young Diggers Dog Squad through the activities of the Defence Bank Foundation. The Young Diggers Dog Squad provides assistance dogs for members of the ADF that are suffering post-traumatic stress. During the financial year the Bank, through the activities of the Defence Bank Foundation, contributed and raised over $330 thousand in support of this cause.

Review of operations (continued)

h. Staff engagement

The Bank surveys its staff on an annual basis and for the third year in a row achieved staff engagement results of over 80%, which places the Bank in the top quartile of high performing organisations.

i. Planning

The Board of directors and executive managers met in March 2015 to consider issues critical to the continued growth and development of the Group. The Board and executive managers are aware of their obligation to ensure that the Group continues to provide relevant and convenient products and service to our members, whilst any risks associated with the operations of the business are mitigated as appropriate. This planning process is reinforced throughout the year by regular reviews of achievements against the strategic plan.

Significant changes in the state of affairs

Other than those matters detailed in the review of operations, there were no significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results

The Group's objectives over the next and subsequent financial years are to continue to improve service to members and to achieve growth in appropriate areas of operations. With regard to products and services, management regularly reviews all existing and available products, services and delivery mechanisms to ensure that they meet the existing and future needs of members.

Subsequent events

Since the end of the financial year, the directors have not become aware of any matters or circumstances that may significantly affect the operations, results of those operations, or the state of affairs, of the Group.

Dividends

It is not the policy of the Board to recommend a dividend and no dividends were declared or payable during the financial year or prior year.

Contracts in which directors have an interest

Since 1 July 2014, no director has received or become entitled to any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors and shown in the accounts) from a contract between the Group and themselves, their firm or a company in which they have a substantial interest.

Directors', officers' and auditor's indemnity

The Bank's constitution (clause 17.3) permits the Bank to indemnify each officer of the Bank against certain liabilities incurred in the execution and discharge of the officer's duties. The Corporations Act 2001 (Section 199A) restricts the Bank from providing indemnity against certain liabilities that officers incur while acting in their positions. The indemnity that the Bank provides for its officers is consistent with the requirements of the Corporations Act 2001. The Bank's ability to indemnify extends to all directors, secretaries, executive officers and employees. During the financial year the Bank has paid the premium for an insurance policy for directors and officers, for the benefit of the Bank. The Bank has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Bank, or of any related body corporate, against a liability incurred as such an officer or auditor. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium. In the event of there being a claim against this insurance policy, the Bank would meet the costs and expenses incurred in defending such proceedings on behalf of the eligible person(s), up to the excess amount specified in the policy, where such action was compatible with the requirements of the Corporations Act 2001.

Auditor's independence

A copy of the external auditor's independence declaration, as required under Section 307c of the Corporations Act 2001, is provided on page 57.

Rounding of amounts

The Group is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998. In accordance with that Class Order, amounts in the directors' report and the financial statements are rounded to the nearest thousand dollars, unless otherwise indicated.

This report is signed in accordance with a formal resolution of the Board of directors.

P Mulraney
Director
25 September 2015

C Madden
Director
25 September 2015

Consolidated statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2015

		The Group		The Bank	
		2015	2014	2015	2014
	Notes	$000	$000	$000	$000
Income					
Interest income	5	75,407	75,021	75,292	74,901
Interest expense	5	(35,023)	(37,565)	(35,023)	(37,565)
Net interest income		40,384	37,456	40,269	37,336
Other income	6	9,863	11,205	10,181	11,528
		50,247	48,661	50,450	48,864
Expenses					
Personnel expenses	6	19,198	18,837	19,198	18,837
Depreciation and amortisation expense	6	978	1,021	978	1,021
Impairment losses on loans and advances	14	209	319	209	319
Other expenses	6	17,454	16,637	17,414	16,584
		37,839	36,814	37,799	36,761
Profit before income tax		12,408	11,847	12,651	12,103
Income tax expense	7	3,665	3,474	3,665	3,474
Profit for the year from continuing operations		8,743	8,373	8,986	8,629
Other comprehensive income		-	-	-	-
Total comprehensive income		8,743	8,373	8,986	8,629

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

as at 30 June 2015

		The Group		The Bank	
		2015	2014	2015	2014
	Notes	$000	$000	$000	$000
Assets					
Cash and cash equivalents	9	67,755	67,221	62,828	61,829
Investments	10	195,304	193,725	195,304	193,725
Equity investments	11	1,639	1,639	1,639	1,639
Trade and other receivables	13	1,611	1,713	7,140	7,464
Loans and advances	14	1,335,277	1,194,596	1,335,277	1,194,596
Property, plant and equipment	15	2,376	2,132	2,376	2,132
Current tax assets	16	876	1,450	876	1,450
Deferred tax assets	17	2,110	2,031	2,110	2,031
Intangible assets	18	696	567	696	567
Other assets	19	826	776	826	776
		1,608,470	1,465,850	1,609,072	1,466,209
Liabilities					
Deposits	20	1,450,025	1,316,788	1,450,025	1,316,788
Trade and other payables	21	13,715	13,320	13,715	13,320
Provisions	22	4,518	4,273	4,518	4,273
		1,468,258	1,334,381	1,468,258	1,334,381
Net assets		140,212	131,469	140,814	131,828
Equity					
Share capital	23	880	847	880	847
Reserves	24	139,332	130,622	139,934	130,981
Retained earnings	25	-	-	-	-
		140,212	131,469	140,814	131,828

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the financial year ended 30 June 2015

	The Group 2015				
	Share capital $000	General reserve for credit losses $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2014	847	3,083	127,539	-	131,469
Transfer on redemption of redeemable member shares	33	-	-	(33)	-
Transfer to general reserve for credit losses	-	59	(59)	-	-
Profit for the financial year	-	-	-	8,743	8,743
Transfer to general reserve	-	-	8,710	(8,710)	-
Balance at 30 June 2015	880	3,142	136,190	-	140,212

	The Group 2014				
	Share capital $000	General reserve for credit losses $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2013	810	2,689	119,597	-	123,096
Transfer on redemption of redeemable member shares	37	-	-	(37)	-
Transfer to general reserve for credit losses	-	394	(394)	-	-
Profit for the financial year	-	-	-	8,373	8,373
Transfer to general reserve	-	-	8,336	(8,336)	-
Balance at 30 June 2014	847	3,083	127,539	-	131,469

Consolidated statement of changes in equity

for the financial year ended 30 June 2015

	The Bank 2015				
	Share capital $000	General reserve for credit losses $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2014	847	3,083	127,898	-	131,828
Transfer on redemption of redeemable member shares	33	-	-	(33)	-
Transfer to general reserve for credit losses	-	59	(59)	-	-
Profit for the financial year	-	-	-	8,986	8,986
Transfer to general reserve	-	-	8,953	(8,953)	-
Balance at 30 June 2015	880	3,142	136,792	-	140,814

	The Bank 2014				
	Share capital $000	General reserve for credit losses $000	General reserve $000	Retained earnings $000	Total equity $000
Balance at 1 July 2013	810	2,689	119,700	-	123,199
Transfer on redemption of redeemable member shares	37	-	-	(37)	-
Transfer to general reserve for credit losses	-	394	(394)	-	-
Profit for the financial year	-	-	-	8,629	8,629
Transfer to general reserve	-	-	8,592	(8,592)	-
Balance at 30 June 2014	847	3,083	127,898	-	131,828

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the financial year ended 30 June 2015

	Notes	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Cash flows from operating activities					
Interest received		75,544	75,434	75,429	75,315
Fees and commissions received		9,804	11,033	9,756	11,033
Other income received		41	171	359	495
Dividends received		232	305	232	305
Recoveries on loans previously written off		177	218	177	218
Goods and services tax refunded		376	291	307	291
Interest paid		(35,140)	(38,929)	(35,140)	(38,929)
Payments to suppliers and employees		(36,839)	(36,219)	(36,681)	(36,166)
Income tax paid		(3,169)	(5,495)	(3,169)	(5,497)
Cash flows from operating activities before changes in operating assets and liabilities		11,026	6,809	11,270	7,065
Net increase in investments		(1,579)	(21,126)	(1,579)	(21,126)
Net increase in loans and advances		(140,890)	(99,051)	(140,890)	(99,051)
Net decrease / (increase) in other operating receivables		2	54	223	(1,538)
Net increase in deposits		133,237	31,625	133,237	31,625
Net increase / (decrease) in other operating payables		97	(367)	97	(367)
Net cash provided by / (used in) operating activities	26	1,893	(82,056)	2,358	(83,392)
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		31	38	31	38
Purchases of property, plant and equipment		(917)	(601)	(917)	(601)
Purchases of intangible assets		(473)	(407)	(473)	(407)
Net cash used in investing activities		(1,359)	(970)	(1,359)	(970)
Cash flows from financing activities					
Repayment of borrowings		-	(15,000)	-	(15,000)
Net increase / (decrease) in cash and cash equivalents		534	(98,026)	999	(99,362)
Cash and cash equivalents at the beginning of the financial year		67,221	165,247	61,829	161,191
Cash and cash equivalents at the end of the financial year	9	67,755	67,221	62,828	61,829

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the financial year ended 30 June 2015

In the notes that form part of the financial statements, a number of abbreviations are used. These abbreviations mean the following:

AASB means the Australian Accounting Standards Board.
ADI means Authorised Deposit-taking Institution.
ALLC means the Defence Bank Asset, Liability and Liquidity Committee.
APRA means the Australian Prudential Regulation Authority.
Cuscal means Cuscal Limited.
GST means Goods and Services Tax.
IASB means the International Accounting Standards Board.
IFRIC means International Financial Reporting Interpretations Committee.
IFRS means International Financial Reporting Standards.
Integris means Integris Securitisation Service Pty Limited.
RBA means the Reserve Bank of Australia.
RMBS means Residential Mortgage Backed Securities.

1. General information

The Group comprises Defence Bank Limited ("Defence Bank" or "the Bank") and its controlled entities as disclosed within the basis of consolidation (refer to note 3c). The Bank is a limited company incorporated in Australia. The principal place of business is Level 5, 31 Queen Street, Melbourne Vic 3000.

The principal activities of the Group during the reporting period were the raising of funds and the application of those funds in providing financial products and services to its members.

2. Application of new and revised accounting standards

a. Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the AASB that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

Standard / Interpretation	Impact
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's consolidated financial statements.
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is

2. Application of new and revised accounting standards (continued)

Standard / Interpretation	Impact
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets' (continued)	measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'. The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment entity, a reporting entity is required to: - obtain funds from one or more investors for the purpose of providing them with investment management services; - commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and - measure and evaluate performance of substantially all of its investments on a fair value basis Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities. As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2. Application of new and revised accounting standards (continued)

Standard / Interpretation	Impact
AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, which are summarised below. - The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014. - The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014. - The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. - The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. - The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation or amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards

2. Application of new and revised accounting standards (continued)

Standard / Interpretation	Impact

AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles) (continued)	clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation or amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
	
	- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.
	
	The Annual Improvements 2011-2013 has made number of amendments to various AASBs, which are summarised below.
	
	- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
	
	- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
	
	- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
	
	  - the property meets the definition of investment property in terms of AASB 140; and
	  - the transaction meets the definition of a business combination under AASB 3.
	
	The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. Application of new and revised accounting standards (continued)

Standard / Interpretation	Impact
AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)	The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service. The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Group's consolidated financial statements.
Interpretation 21 'Levies'	Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for. In particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2. Application of new and revised accounting standards (continued)

b. Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential effect of the revised Standards / Interpretations on the Group's financial statements have not been determined. Unless otherwise stated below, the Group does not intend to adopt the standard early and as such, the impact is yet to be determined.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-6 'Amendments to Australian Accounting Standards – Agriculture: Bearer Plants'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

3. Significant accounting policies

a. Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the Bank comply with IFRS.

The financial statements were authorised for issue by the directors on 25 September 2015.

b. Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Group is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank, being the parent entity and its controlled entities. Combined, the Bank and its controlled entities are referred to in these financial statements as the Group. The name(s) of the controlled entities are disclosed within note 12 to these financial statements. Each controlled entity has a 30 June financial year end and is accounted for by the Bank at cost. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Controlled entities pertain to subsidiaries and are fully consolidated from the date on which control is transferred to the Bank. They are de-consolidated from the date that control ceases.

3. Significant accounting policies (continued)

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably estimated. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the carrying amount on initial recognition. When a financial asset is classified as impaired the Group ceases to recognise interest, although the Group will subsequently recognise interest income should the financial asset be returned to a non-impaired status.

Fee and commission income is recognised on an accrual basis once a right to receive consideration has been attained or when service to the customer has been rendered. However, commission income for Loan Repayment Insurance (LRI) is deferred and recognised on a straight-line basis over a 12 month period reflecting the average life of a LRI policy. Unearned commissions liability is detailed in note 21 to the financial statements.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

e. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

f. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

3. Significant accounting policies (continued)

g. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The estimated useful lives used for property, plant and equipment are as follows:

Portable buildings	5 years, 7 months
Leasehold improvements	4 years - 10 years
Plant and equipment	2 years, 6 months - 40 years

Assets under $1000 are not capitalised but rather expensed.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Significant accounting policies (continued)

i. Intangible assets

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The estimated useful life used for intangible assets are as follows:

Computer software	2 years, 6 months - 5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

k. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

l. Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. Significant accounting policies (continued)

Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

AFS financial assets

The Group has investments in unlisted shares that are not traded in an active market but are classified as AFS financial assets and stated at cost (because the directors consider that fair value cannot be reliably measured). Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as loans, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables includes the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. Objective evidence of impairment for a specific receivable includes significant financial difficulty of a borrower, default or delinquency by a borrower and indicators that a borrower or issuer will enter bankruptcy.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. Significant accounting policies (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Financial liabilities, including borrowings, deposits and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Members' deposits

Members' deposits are brought to account at the aggregate amount owing to depositors. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions applicable to each account. The amount of the accrual is shown separately in note 20.

m. GST

Revenues, expenses and assets are recognised net of the amount of GST, except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

n. Securitisation

Where the Group enters into a transaction that substantially transfers all the risk and rewards of ownership of the transferred assets, the Group derecognises the transferred assets. Where a third party originator (Integris) enters into a transaction and funds that transaction and the Group does not carry the risks and rewards of ownership, the Group does not recognise the asset. Where the Group enters into transactions that transfer assets recognised on its consolidated statement of financial position but retains substantially all of the risks and rewards of ownership of the transferred assets, the transferred assets are not derecognised by the Group.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Board are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a. Critical judgements in applying accounting policies

The following are critical judgements that the directors have made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Held-to-maturity financial assets

The directors have reviewed the Group's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold these assets to maturity. The carrying amount of held-to-maturity financial assets is $195,304 thousand (2014: $193,725 thousand). Details of these assets are included in note 10.

b. Critical sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision for impairment of loans and advances

Impairment allowances for loans and advances represent management's best assumptions of losses incurred in the loan portfolio at the end of the reporting period. Management is required to exercise judgement in making assumptions and estimates when calculating impairment allowances in both individually and collectively assessed loans and advances.

5. Interest income and interest expense

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest income or expense and the average interest rate:

	The Group 2015		
	Average balance $000	Interest amount $000	Average interest rate %
Interest bearing assets			
Cash and cash equivalents	58,371	1,231	2.11
Investments	161,000	5,315	3.30
Loans and advances	1,260,602	68,861	5.46
		75,407	5.10
Interest bearing liabilities			
Deposits	1,336,754	35,023	2.62
		35,023	2.62
Net interest income		40,384	

	The Group 2014		
	Average balance $000	Interest amount $000	Average interest rate %
Interest bearing assets			
Cash and cash equivalents	75,447	1,865	2.47
Investments	175,563	6,190	3.53
Loans and advances	1,140,110	66,966	5.87
		75,021	5.39
Interest bearing liabilities			
Borrowings	3,462	106	3.06
Deposits	1,253,519	37,459	2.99
		37,565	2.99
Net interest income		37,456	

5. Interest income and interest expense (continued)

	The Bank		
	2015		
	Average balance $000	Interest amount $000	Average interest rate %
Interest bearing assets			
Cash and cash equivalents	52,681	1,116	2.12
Investments	161,000	5,315	3.30
Loans and advances	1,261,602	68,861	5.46
		75,292	5.10
Interest bearing liabilities			
Deposits	1,336,754	35,023	2.62
		35,023	2.62
Net interest income		40,269	

	The Bank		
	2014		
	Average balance $000	Interest amount $000	Average interest rate %
Interest bearing assets			
Cash and cash equivalents	69,794	1,745	2.50
Investments	175,563	6,190	3.53
Loans and advances	1,140,110	66,966	5.87
		74,901	5.41
Interest bearing liabilities			
Borrowings	3,462	106	3.06
Deposits	1,253,519	37,459	2.99
		37,565	2.99
Net interest income		37,336	

6. Income and expense

Included in the profit for the year from continuing operations are the following items of income and expense:

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Other income				
Dividends	232	305	232	305
Fee income arising from financial assets	693	1,159	693	911
Fee income arising from financial liabilities	209	408	209	408
Other transaction fee income	2,301	3,203	2,301	2,563
Other service fee income	2,443	1,904	2,443	1,904
Other fee income	21	52	21	52
Insurance commissions	1,861	1,933	1,861	1,933
Other commissions	1,856	1,845	1,856	2,733
Gain on disposal of property, plant and equipment	29	7	29	7
Bad debts recovered	177	218	177	218
Other income	41	171	359	494
	9,863	11,205	10,181	11,528
Personnel expenses				
Employee benefits	16,875	16,896	16,875	16,902
Provision for employee benefits	104	255	104	533
Termination benefits	438	168	438	168
Other personnel expenses	1,781	1,518	1,781	1,234
	19,198	18,837	19,198	18,837
Depreciation and amortisation expense				
Plant and equipment	343	429	343	429
Buildings and leasehold improvements	291	265	291	265
Computer software	344	327	344	327
	978	1,021	978	1,021
Other expenses				
Loss on disposal of property, plant and equipment	37	130	37	130
Rental - operating leases	1,210	1,139	1,210	1,139
Occupancy expenses	262	294	262	294
Information technology expenses	3,531	3,374	3,531	3,374
External financial transaction processing fees and charges	4,014	3,832	4,014	5,773
Telephone expenses	367	399	367	399
Repairs and maintenance	-	15	-	15
Administration expenses	4,734	4,558	4,734	2,744
Marketing and promotion	1,738	1,288	1,738	1,161
Other expenses from ordinary activities	1,561	1,608	1,521	1,555
	17,454	16,637	17,414	16,584

7. Income tax expense

Income tax expenses recognised in profit or loss:

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Current tax expense:				
in respect of current year	3,724	3,637	3,724	3,637
in respect of prior year	20	(92)	20	(92)
Deferred tax income relating to the origination and reversal of temporary differences	(79)	(73)	(79)	(73)
Adjustments recognised in the current year in relation to current tax of prior years	-	2	-	2
Income tax expense	3,665	3,474	3,665	3,474

The income tax expense for the year can be reconciled to profit before income tax as follows:

	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Profit before income tax	12,408	11,847	12,651	12,103
Income tax calculated at 30% (2014: 30%)	3,722	3,554	3,795	3,631
Effect of expenses that are not deductible in determining taxable profit	12	8	12	8
Effect of income that is not assessable in determining taxable profit	-	-	(2,515)	(2,608)
Effect of income that is assessable in determining taxable profit	30	38	2,472	2,569
Effect of imputation credits	(99)	(128)	(99)	(128)
Adjustments recognised in the current year in relation to current tax of prior years	-	2	-	2
Income tax expense	3,665	3,474	3,665	3,474

8. Franking credits balance

The amount of franking credits available for the subsequent financial year are as follows:

	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Franking account balance as at the end of the financial year at 30% (2014: 30%)	64,546	59,541	64,546	59,541
Franking credits that will decline from the refund of income tax receivable as at the end of the financial year	(876)	(1,450)	(876)	(1,450)
	63,670	58,091	63,670	58,091

Since, under corporations and tax laws, the Group may only pay a dividend on shares to which a right to participate in dividends attaches, these franking credits are not presently available to members.

9. Cash and cash equivalents

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Cash on hand	2,501	2,642	2,501	2,642
Call deposits with ADIs	60,327	59,187	60,327	59,187
Restricted cash on deposit with ADIs	4,927	5,392	-	-
	67,755	67,221	62,828	61,829

Restricted cash on deposit with ADIs represents cash collections remitted by the Bank to DBL Funding Trust No. 1. The use of these funds is restricted under the terms of the DBL Trusts Master Servicing Deed.

10. Investments

Term deposits with ADIs	34,000	20,000	34,000	20,000
Negotiable certificates of deposit	81,037	108,359	81,037	108,359
Floating rate notes	80,267	65,366	80,267	65,366
	195,304	193,725	195,304	193,725

a. Maturity analysis

Not longer than three months	98,083	89,309	98,083	89,309
Longer than three months, not longer than one year	33,705	49,049	33,705	49,049
Longer than one year, not longer than five years	63,516	55,367	63,516	55,367
	195,304	193,725	195,304	193,725

11. Equity investments

Unlisted commercial shares in Cuscal - at cost	1,639	1,639	1,639	1,639

12. Controlled Entities

The parent entity is the Bank. Details in relation to its controlled entities at the end of the financial year are as follows:

Name	Country of establishment	2015 % owned	2014 % owned
DBL Funding Trust No. 1	Australia	100%	100%

Transactions with controlled entities The following transactions occurred with controlled entities:	2015 $000	2014 $000
Reciepts		
Servicer fee	265	269
Trust manager fee	18	18
Trust administrator fee	35	36
Payments		
Payment of offset interest amounts under terms of trust deed	320	279

13. Trade and other receivables

	The Group		The Bank	
	2015	2014	2015	2014
	$000	$000	$000	$000
Interest receivable on investments	1,057	1,194	1,057	1,194
Other operating receivables [1]	103	105	5,632	5,856
Trade debtors [2]	451	414	451	414
	1,611	1,713	7,140	7,464

1 Other operating receivables primarily consist of funds in transit and distributions from DBL Funding Trust No. 1 which are expected to be settled in full within one month. As such, no interest is charged.

2 Trade debtors relate to commissions receivable which are expected to be settled in full within 30 days and are non-interest bearing. As at 30 June 2015 there are no past due or impaired trade and other receivables (2014: Nil)

14. Loans and advances

	The Group		The Bank	
	2015	2014	2015	2014
	$000	$000	$000	$000
Overdrafts	7,209	7,665	7,209	7,665
Credit cards	14,278	14,629	14,278	14,629
Term loans	1,314,307	1,173,340	1,314,307	1,173,340
Gross loans and advances	1,335,794	1,195,634	1,335,794	1,195,634
Provision for impairment	(322)	(373)	(322)	(373)
Deferred loan fee income	(854)	(665)	(854)	(665)
Deferred loan origination expenses	659	-	659	-
Net loans and advances	1,335,277	1,194,596	1,335,277	1,194,596
a. Maturity analysis				
Overdrafts	7,209	7,665	7,209	7,665
Not longer than three months	17,381	15,940	17,381	15,940
Longer than three months, not longer than one year	48,972	45,959	48,972	45,959
Longer than one year, not longer than five years	238,689	216,281	238,689	216,281
Longer than five years	1,023,543	909,789	1,023,543	909,789
	1,335,794	1,195,634	1,335,794	1,195,634
b. Loans by security type				
Mortgage over property				
Loan to value ratio up to 80%	744,840	644,761	744,840	644,761
Loan to value ratio over 80% with mortgage insurance	403,861	384,778	403,861	384,778
Loan to value ratio over 80% without mortgage insurance	34,349	17,079	34,349	17,079
	1,183,050	1,046,618	1,183,050	1,046,618
Mortgage over other assets	77,842	66,956	77,842	66,956
Unsecured	74,902	82,060	74,902	82,060
	1,335,794	1,195,634	1,335,794	1,195,634

14. Loans and advances (continued)

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
c. Loans by purpose				
Purchase of residential owner-occupied property	1,070,863	963,285	1,070,863	963,285
Purchase of residential investment property	111,796	82,905	111,796	82,905
Purchase of commercial property	391	428	391	428
Other	152,744	149,016	152,744	149,016
	1,335,794	1,195,634	1,335,794	1,195,634
d. Provision for impairment				
Balance at the beginning of the financial year	373	391	373	391
Increase in provision for impairment of loans and advances	209	319	209	319
Bad debts written off	(260)	(337)	(260)	(337)
Balance at the end of the financial year	322	373	322	373
Comprising				
Individually assessed provisions	2	11	2	11
Collectively assessed provisions	320	362	320	362
	322	373	322	373

e. Concentration of credit risk

There are no loans to a single entity or group of entities which represent 10% or more of total equity.

The Group has a concentration of credit risk by industry sector to the Australian Defence community (serving and former serving members of the Australian Defence Force, Defence civilians, contractors and families of this bond). This concentration is considered to be acceptable on the grounds that the Group was formed to secure the financial needs of these members and the employment concentration is not exclusive. Should members cease employment within the Australian Defence Force, the loans continue and other employment opportunities are available to members to facilitate the repayment of loans.

f. Security held on non-accrual loans

During the period the Group took possession of assets through the enforcement of security. Disposal proceeds of these assets amounted to $37 thousand (2014: $8 thousand) and were used to offset associated credit losses. The value of assets obtained through enforcement of security at reporting date was $13 thousand (2014: Nil).

15. Property, plant and equipment

Reconciliation of the movement in the carrying amount of property, plant and equipment is as follows:

	The Group				
	2015				
	Portable buildings $000	Leasehold improvements $000	Plant and equipment $000	Work in progress[3] $000	Total $000
At cost					
Balance at the beginning of the financial year	214	2,045	7,651	-	9,910
Additions	-	468	449	-	917
Reclassifications	-	-	-	-	-
Disposals	(35)	(136)	(2,755)	-	(2,926)
Balance at the end of the financial year	179	2,377	5,345	-	7,901
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(214)	(798)	(6,766)	-	(7,778)
Depreciation expense	-	(291)	(343)	-	(634)
Reclassifications	-	-	-	-	-
Eliminated on disposal of assets	35	131	2,721	-	2,887
Balance at the end of the financial year	(179)	(958)	(4,388)	-	(5,525)
Carrying amount at 30 June 2015	-	1,419	957	-	2,376

	The Group				
	2014				
	Portable buildings $000	Leasehold improvements $000	Plant and equipment $000	Work in progress[3] $000	Total $000
At cost					
Balance at the beginning of the financial year	214	2,031	7,434	12	9,691
Additions	-	174	427	-	601
Reclassifications	-	12	-	(12)	-
Disposals	-	(172)	(210)	-	(382)
Balance at the end of the financial year	214	2,045	7,651	-	9,910
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(214)	(594)	(6,497)	-	(7,305)
Depreciation expense	-	(265)	(429)	-	(694)
Reclassifications	-	-	-	-	-
Eliminated on disposal of assets	-	61	160	-	221
Balance at the end of the financial year	(214)	(798)	(6,766)	-	(7,778)
Carrying amount at 30 June 2014	-	1,247	885	-	2,132

15. Property, plant and equipment (continued)

	The Bank 2015				
	Portable buildings $000	Leasehold improvements $000	Plant and equipment $000	Work in progress[3] $000	Total $000
At cost					
Balance at the beginning of the financial year	214	2,045	7,651	-	9,910
Additions	-	468	449	-	917
Reclassifications	-	-	-	-	-
Disposals	(35)	(136)	(2,755)	-	(2,926)
Balance at the end of the financial year	179	2,377	5,345	-	7,901
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(214)	(798)	(6,766)	-	(7,778)
Depreciation expense	-	(291)	(343)	-	(634)
Reclassifications	-	-	-	-	-
Eliminated on disposal of assets	35	131	2,721	-	2,887
Balance at the end of the financial year	(179)	(958)	(4,388)	-	(5,525)
Carrying amount at 30 June 2015	-	1,419	957	-	2,376

	The Bank 2014				
	Portable buildings $000	Leasehold improvements $000	Plant and equipment $000	Work in progress[3] $000	Total $000
At cost					
Balance at the beginning of the financial year	214	2,031	7,434	12	9,691
Additions	-	174	427	-	601
Reclassifications	-	12	-	(12)	-
Disposals	-	(172)	(210)	-	(382)
Balance at the end of the financial year	214	2,045	7,651	-	9,910
Accumulated depreciation and impairment					
Balance at the beginning of the financial year	(214)	(594)	(6,497)	-	(7,305)
Depreciation expense	-	(265)	(429)	-	(694)
Reclassifications	-	-	-	-	-
Eliminated on disposal of assets	-	61	160	-	221
Balance at the end of the financial year	(214)	(798)	(6,766)	-	(7,778)
Carrying amount at 30 June 2014	-	1,247	885	-	2,132

[3] Work in progress represents payments for items of property, plant and equipment that as at reporting date are not yet available for use. As such, depreciation has not commenced.

16. Current tax assets

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Current tax assets	876	1,450	876	1,450

17. Deferred tax assets

The movement in temporary differences during the financial year is as follows:

	The Group 2015		
	Opening balance $000	Recognised in profit or loss $000	Closing balance $000
Provisions for employee benefits not yet deductible	1,272	74	1,346
Provision for impairment on loans not yet deductible	112	(15)	97
Prior year bad debts not yet deductible	142	(16)	126
Property, plant and equipment	181	(18)	163
Intangible assets	75	10	85
Accrued income not yet earned	304	-	304
Accrued expenses not yet deductible	22	23	45
Prepayments	(77)	21	(56)
	2,031	79	2,110

	The Group 2014		
	Opening balance $000	Recognised in profit or loss $000	Closing balance $000
Provisions for employee benefits not yet deductible	1,223	49	1,272
Provision for impairment on loans not yet deductible	117	(5)	112
Prior year bad debts not yet deductible	139	3	142
Property plant and equipment	167	14	181
Intangible assets	39	36	75
Accrued income not yet earned	251	53	304
Accrued expenses not yet deductible	26	(4)	22
Prepayments	(4)	(73)	(77)
	1,958	73	2,031

17. Deferred tax assets (continued)

	The Bank 2015 Opening balance $000	The Bank 2015 Recognised in profit or loss $000	The Bank 2015 Closing balance $000
Provisions for employee benefits not yet deductible	1,272	74	1,346
Provision for impairment on loans not yet deductible	112	(15)	97
Prior year bad debts not yet deductible	142	(16)	126
Property, plant and equipment	181	(18)	163
Intangible assets	75	10	85
Accrued income not yet earned	304	-	304
Accrued expenses not yet deductible	22	23	45
Prepayments	(77)	21	(56)
	2,031	79	2,110

	The Bank 2014 Opening balance $000	The Bank 2014 Recognised in profit or loss $000	The Bank 2014 Closing balance $000
Provisions for employee benefits not yet deductible	1,223	49	1,272
Provision for impairment on loans not yet deductible	117	(5)	112
Prior year bad debts not yet deductible	139	3	142
Property plant and equipment	167	14	181
Intangible assets	39	36	75
Accrued income not yet earned	251	53	304
Accrued expenses not yet deductible	26	(4)	22
Prepayments	(4)	(73)	(77)
	1,958	73	2,031

18. Intangible assets

Reconciliation of the movement in the carrying amount of intangible assets is as follows:

	The Group 2015		
	Computer software $000	Work in progress[4] $000	Total $000
At cost			
Balance at the beginning of the financial year	3,824	141	3,965
Additions	-	473	473
Reclassifications	400	(400)	-
Disposals	(1,274)	-	(1,274)
Balance at the end of the financial year	2,950	214	3,164
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(3,398)	-	(3,398)
Amortisation expense	(344)	-	(344)
Eliminated on disposal of assets	1,274	-	1,274
Balance at the end of the financial year	(2,468)	-	(2,468)
Carrying amount at 30 June 2015	482	214	696

	The Group 2014		
	Computer software $000	Work in progress[4] $000	Total $000
At cost			
Balance at the beginning of the financial year	3,392	166	3,558
Additions	407	-	407
Reclassifications	25	(25)	-
Balance at the end of the financial year	3,824	141	3,965
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(3,071)	-	(3,071)
Amortisation expense	(327)	-	(327)
Balance at the end of the financial year	(3,398)	-	(3,398)
Carrying amount at 30 June 2014	426	141	567

18. Intangible assets (continued)

	The Bank 2015 Computer software $000	The Bank 2015 Work in progress[4] $000	The Bank 2015 Total $000
At cost			
Balance at the beginning of the financial year	3,824	141	3,965
Additions	-	473	473
Reclassifications	400	(400)	-
Disposals	(1,274)	-	(1,274)
Balance at the end of the financial year	2,950	214	3,164
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(3,398)	-	(3,398)
Amortisation expense	(344)	-	(344)
	1,274	-	1,274
Balance at the end of the financial year	(2,468)	-	(2,468)
Carrying amount at 30 June 2015	482	214	696

	The Bank 2014 Computer software $000	The Bank 2014 Work in progress[4] $000	The Bank 2014 Total $000
At cost			
Balance at the beginning of the financial year	3,392	166	3,558
Additions	407	-	407
Reclassifications	25	(25)	-
Balance at the end of the financial year	3,824	141	3,965
Accumulated amortisation and impairment			
Balance at the beginning of the financial year	(3,071)	-	(3,071)
Amortisation expense	(327)	-	(327)
Balance at the end of the financial year	(3,398)	-	(3,398)
Carrying amount at 30 June 2014	426	141	567

[4] Work in progress represents payments for computer software that as at reporting date are not yet available for use. As such, amortisation has not commenced.

19. Other assets

	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Prepayments	826	776	826	776

20. Deposits

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Members' redeemable preference shares	781	770	781	770
Call deposits	517,317	480,061	517,317	480,061
Term deposits	790,586	724,945	790,586	724,945
Electronic certificates of deposit	141,341	111,012	141,341	111,012
	1,450,025	1,316,788	1,450,025	1,316,788

a. Maturity analysis

At call	518,098	480,831	518,098	480,831
Not longer than three months	526,580	483,679	526,580	483,679
Longer than three months, not longer than one year	387,553	328,040	387,553	328,040
Longer than one year, not longer than five years	17,794	24,238	17,794	24,238
	1,450,025	1,316,788	1,450,025	1,316,788

b. Concentration of deposits

There are no depositors whose deposits represent 10% or more of total liabilities.

21. Trade and other payables

Trade creditors	187	100	187	100
Other operating payables	2,112	2,015	2,112	2,015
Interest payable	9,059	9,176	9,059	9,176
Accrued expenses	1,341	1,014	1,341	1,014
Unearned commissions	71	66	71	66
Unamortised lease incentive	945	949	945	949
	13,715	13,320	13,715	13,320

22. Provisions

Provision for employee entitlements	4,493	4,273	4,493	4,273
Other provisions	25	-	25	-
	4,518	4,273	4,518	4,273

Provisions are expected to be settled within one year with the exception of those provisions for employee entitlements related to long service leave and accrued sick leave which amount to $2,737 thousand (2014: $2,654 thousand).

23. Share capital

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Balance at the beginning of the financial year	847	810	847	810
Transfer on redemption of redeemable preference shares	33	37	33	37
Balance at the end of the financial year	880	847	880	847

Share capital represents the cumulative amount of redeemable members' shares redeemed by the Group since 1 July 1999. Corporations law requires that the redemption of shares be made out of profits. Since the value of shares have been paid to members in accordance with the terms and conditions of the share issue, the balance represents the amount of profits appropriated to the account.

24. Reserves

a. General reserve

	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Balance at the beginning of the financial year	127,539	119,597	127,898	119,700
Transfer to the general reserve for credit losses	(59)	(394)	(59)	(394)
Transfer from retained earnings	8,710	8,336	8,953	8,592
Balance at the end of the financial year	136,190	127,539	136,792	127,898

The general reserve comprises the aggregate amount of all retained profits from ordinary activities after income tax since the Group's inception, less the aggregate amount relating to the redemption of redeemable preference shares and less any amounts transferred to the general reserve for credit losses. Its purpose is to illustrate that, in a mutual organisation, these amounts are not available for distribution as dividends and that the reserve clearly represents members' equity in the Group.

b. General reserve for credit losses

	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Balance at the beginning of the financial year	3,083	2,689	3,083	2,689
Transfer from the general reserve for credit losses	59	394	59	394
Balance at the end of the financial year	3,142	3,083	3,142	3,083

The general reserve for credit losses is established in accordance with APRA guidance and represents the Group's prudent estimate of credit losses expected, but not certain to arise, over the life of all individual facilities making up the business of the Group.

25. Retained earnings

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Profit from continuing operations after income tax	8,743	8,373	8,986	8,629
Transfers to share capital upon redemption of redeemable preference shares	(33)	(37)	(33)	(37)
Transfers to general reserve	(8,710)	(8,336)	(8,953)	(8,592)
Retained earnings at the end of the financial year	-	-	-	-

26. Note to the statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and call deposits with ADIs.

Profit for the year from continuing operations can be reconciled to net cash flows from operating activities as follows:

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Profit for the year from continuing operations	8,743	8,373	8,986	8,629
Add non-cash items				
Impairment of loans and advances	209	319	209	319
Depreciation of property, plant and equipment	634	694	634	694
Amortisation of intangible assets	344	327	344	327
Decrease / (increase) in assets				
Interest receivable	137	284	137	284
Trade debtors	(37)	102	(37)	102
Prepaid expenses	(50)	11	(50)	11
Other operating receivables	2	54	224	(1,538)
Current tax assets	574	(1,950)	574	(1,950)
Deferred tax assets	(79)	(73)	(79)	(73)
Investments	(1,579)	(21,126)	(1,579)	(21,126)
Overdraft balances	456	336	456	336
Credit card balances	351	879	351	879
Term loans	(141,697)	(100,266)	(141,697)	(100,266)
Increase / (decrease) in liabilities				
Interest payable	(117)	(1,364)	(117)	(1,364)
Trade creditors	87	(425)	87	(425)
Accrued expenses	327	34	327	34
Unamortised lease incentive	(4)	185	(4)	185
Unearned commissions	5	(10)	5	(10)
Provision for employee benefits	220	196	220	196
Other provisions	25	(17)	25	(17)
Members redeemable preference shares	11	5	11	5
Other operating payables	97	(367)	97	(367)
Call deposits	37,256	20,691	37,256	20,691
Term deposits	65,641	(100,083)	65,641	(100,083)
Electronic certificates of deposit	30,329	111,012	30,329	111,012
Add / (deduct) cash flows from investing activities included in operating profit				
Gain on disposal of equipment	(29)	(7)	(29)	(7)
Loss on disposal of equipment	37	130	37	130
Net cash provided by / (used in) operating activities	1,893	(82,056)	2,358	(83,392)

27. Expenditure commitments

Operating lease arrangements

The Group's operating leases primarily relate to property leases of the Groups head office and branch network with original lease terms of five or ten years. Other leasing arrangements of the Group relate to core banking systems, facilities management and associated support services, as well as various items of office equipment. Terms of the Group's operating lease contracts are either fixed for the contracted period or subject to agreed annual indexation clauses.

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Not longer than three months	693	851	693	851
Longer than three months, not longer than one year	2,078	2,022	2,078	2,022
Longer than one year, not longer than five years	9,813	2,097	9,813	2,097
Later than five years	680	519	680	519
	13,264	5,489	13,264	5,489

28. Financial commitments

Outstanding loan commitments				
Loans approved but not advanced	41,867	29,821	41,867	29,821
Amounts available for redraw under term loans	120,257	114,337	120,257	114,337
Unused balance of revolving credit facilities	44,938	46,093	44,938	46,093
	207,061	190,251	207,061	190,251

Generally, there are no restrictions to the withdrawal of funds within undrawn credit commitments, provided contractual repayments are maintained. Many of the commitments included above are expected, based on historical experience, to expire without being drawn upon.

29. Registered charge

Cuscal holds a fixed and floating charge over the Group’s assets and future undertakings for loan facilities available to the Group. The amount outstanding under this charge as at 30 June 2015 is nil (2014: Nil).

30. Securitisation arrangements

a. Integris Securitisation Services Pty Limited (Integris)

In past financial years, the Group had an arrangement with Integris, a wholly owned subsidiary of Cuscal, whereby it acted as an agent to promote and complete loans on its behalf. During the 2014 financial year the scheme was closed to new loan originations. The Group continues to manage the loans portfolio on behalf of Integris for which it receives a fee. The Group bears no credit risk exposure in respect of these loans and in accordance with its accounting policies does not recognise these loans on its statement of financial position. The securities issued by Integris do not represent liabilities of the Group and the Group does not guarantee the payment of interest or principal on these securities. The Group is not obliged to support any losses by investors in the trust and does not intend to provide such support. The value of loans originated on behalf of Intergris during the reporting period is nil (2014: Nil). The balance of securitised loans within the Integris portfolio as at the end of the reporting period amounted to $33,918 thousand (2014: $43,616 thousand).

30. Securitisation arrangements (continued)

b. DBL Funding Trust No.1

The Bank established DBL Funding Trust No. 1 to faciliate its ongoing liquidity management. The Bank transfers eligible mortgage receivables to DBL Funding Trust No. 1 and simultaneously purchases the RMBS issued by DBL Funding Trust No.1. The senior RMBS held by the Bank is eligible for Sale and Repurchases transactions with the RBA and as such enhance the liquidity position of the Bank. The mortgage receivables transferred to DBL Funding Trust No. 1 have not been de-recognised as the Bank retains substantially all of the risk and rewards of ownership of the transferred assets.

31. Remuneration of auditor

	The Group		The Bank	
	2015 $	2014 $	2015 $	2014 $
Deloitte Touche Tohmatsu				
Audit or review of the financial statements	67,500	71,000	67,500	71,000
Regulatory and compliance engagements	68,975	36,000	68,975	36,000
Tax consulting engagements	18,975	-	18,975	-
	136,475	107,000	136,475	107,000

Regulatory and compliance engagements include audit or reviews of procedures in relation to Retirement Savings Accounts (RSA), Australian Financial Services Licence (AFSL), securitisation and Australian Prudential Standard (APS) 310.

32. Key management personnel

Compensation of key management personnel

Key management personnel during the financial year comprised seven non-executive directors, one executive director and chief executive officer as well as nine executive managers. The aggregate compensation made to key management personnel of the Group during the financial year is as follows:

	2015 $	2014 $
Non Executive Directors' remuneration:		
Short-term employee benefits	489,292	478,605
Executive management remuneration:		
Short-term employee benefits	2,800,028	2,658,930
Other long-term benefits	203,928	149,744
Termination benefits	3,840	3,156
	3,007,796	2,811,830
Total key management personnel remuneration:		
Short-term employee benefits	3,289,320	3,137,535
Other long-term benefits	203,928	149,744
Termination benefits	3,840	3,156
	3,497,088	3,290,435

33. Financial instruments

a. Categories of financial instruments	The Group 2015 $000	The Group 2014 $000	The Bank 2015 $000	The Bank 2014 $000
Financial assets				
Cash and cash equivalents	67,755	67,221	62,828	61,829
Held-to-maturity financial assets:				
Investments	195,304	193,725	195,304	193,725
Loans and receivables at amortised cost:				
Trade and other receivables	1,611	1,713	7,140	7,464
Loans and advances	1,335,277	1,194,596	1,335,277	1,194,596
Available-for-sale financial assets:				
Equity investments	1,639	1,639	1,639	1,639
	1,601,586	1,458,894	1,602,188	1,459,253
Financial liabilities				
At amortised cost:				
Deposits	1,450,025	1,316,788	1,450,025	1,316,788
Trade and other payables	13,715	13,320	13,715	13,320
	1,463,740	1,330,108	1,463,740	1,330,108

b. Financial risk management objectives

The Group is exposed to a number of risks arising from the use of financial instruments in the normal course of its operations. These risks primarily include market risk, credit risk and liquidity risk.

The Group seeks to manage these risks through a series of internal risk reports which analyse exposures by degree and by magnitude of risk. Key measures, which act as proxies for the specific risks, are tracked against pre-established thresholds set by the Board as part of its overarching risk management policy. Compliance with policy and exposure limits is reviewed by the internal auditor on an ongoing basis.

c. Market risk

Market risk is the risk of changes in market prices affecting the Group's income or the value of positions held by the Group. As the Group does not deal in foreign contracts, commodities or equity securities, market risk consists solely of interest rate risk. Interest rate risk is defined as the risk of change in the fair value of future cash flows arising from financial instruments due to variability in interest rates. The Group is exposed to interest rate risk as a result of mismatches between the repricing dates of financial assets and liabilities.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters, whilst optimising return. To this end, the Board has in place a comprehensive market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. Management of interest rate risk is vested in the ALLC. The Committee meets regularly to review the interest rate risk position and takes decisions to mitigate identified market risks. Action taken by the ALCC is reported to the Board.

The Group does not enter into, or trade in, financial instruments for speculative purposes and as such the interest rate risk the Group is exposed to arises only from activities within its banking book.

There has been no material change to the Group's exposure to interest rate risk, or the manner in which these risks are managed and measured, over the reporting period.

33. Financial instruments (continued)

The interest rate sensitivity analysis below has been prepared assuming the balance of floating rate assets and liabilities outstanding at the end of the reporting period were outstanding for the whole reporting period. A change of 100 basis points in interest rates is used in the analysis as this represents management's assessment of the reasonable possible change in interest rates. A 100 basis point increase in interest rates compared to actual rates would increase profit and equity by the following amounts. A 100 basis points decrease in interest rates would have an equal and opposite impact:

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Profit	4,533	4,992	4,498	4,995
Equity	4,533	4,992	4,498	4,995

d. Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk for the Group can be segregated as follows:

i. Loans and advances

The risk of losses that may arise from loans advanced to members is mitigated by the careful application of loan assessment criteria designed to ensure capacity to pay and by the nature and quality of any collateral taken as security. Where collateral is held, it is in the form of mortgage interests over residential property, mortgage insurance and guarantees with regard to housing loans; and other registered securities over motor vehicles with regard to personal lending.

In the case of loans secured by a registered first mortgage, the Group requires borrowers to obtain mortgage insurance to cover the total indebtedness to the Group in situations where the loan to valuation ratio is more than 80%. This policy is only relaxed when there are particular mitigating circumstances. Details of the loan to value ratio of the home loan portfolio are disclosed at note 14.

The Group has a concentration of credit risk by industry sector to the Defence community (serving and former serving members of the Australian Defence Force, Defence civilians, contractors and families of this bond). This concentration is considered to be acceptable on the grounds that the Group was formed to secure the financial needs of these members and the employment concentration is not exclusive. Should members cease employment within the Australian Defence Force, the loans continue and other employment opportunities are available to members to facilitate the repayment of loans.

ii. Investments

The risk of losses arising from investments made as part of managing the Group's liquid asset portfolio is mitigated by a series of policies that limit both the counterparties with which the Group transacts and also the aggregate exposure to any one counterparty.

There have been no changes to the manner in which credit risk is managed during the financial year.

The Group’s maximum exposure to credit risk at reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated below. The credit quality of the Group's financial assets at the end of the financial year are as follows:

33. Financial instruments (continued)

	The Group 2015					
	Current and not impaired				Past due and / or impaired	Total
		Rated (Long term, Short term) [5]				
	Unrated $000	≥ AA-, A1 $000	≥ A-, A2 $000	≥ BBB-, A3 $000	$000	$000
Financial assets						
Cash and cash equivalents	-	67,755	-	-	-	67,755
Held-to-maturity financial assets:						
Investments	-	63,124	132,180	-	-	195,304
Loans and receivables at amortised cost:						
Trade and other receivables	1,611	-	-	-	-	1,611
Loans and advances	1,333,352	-	-	-	1,925	1,335,277
Available-for-sale financial assets:						
Equity investments	-	1,639	-	-	-	1,639
	1,334,963	132,518	132,180	-	1,925	1,601,586

	The Group 2014					
	Current and not impaired				Past due and / or impaired	Total
		Rated (Long term, Short term) [5]				
	Unrated $000	≥ AA-, A1 $000	≥ A-, A2 $000	≥ BBB-, A3 $000	$000	$000
Financial assets						
Cash and cash equivalents	-	67,221	-	-	-	67,221
Held-to-maturity financial assets:						
Investments	-	38,002	103,692	52,031	-	193,725
Loans and receivables at amortised cost:						
Trade and other receivables	1,713	-	-	-	-	1,713
Loans and advances	1,193,806	-	-	-	790	1,194,596
Available-for-sale financial assets:						
Equity investments	-	1,639	-	-	-	1,639
	1,195,519	106,862	103,692	52,031	790	1,458,894

33. Financial instruments (continued)

	The Bank 2015					
	Current and not impaired				Past due and / or impaired	Total
	Unrated	Rated (Long term, Short term) [5] ≥ AA-, A1	≥ A-, A2	≥ BBB-, A3		
	$000	$000	$000	$000	$000	$000
Financial assets						
Cash and cash equivalents	-	62,828	-	-	-	62,828
Held-to-maturity financial assets:						
Investments	-	63,124	132,180	-	-	195,304
Loans and receivables at amortised cost:						
Trade and other receivables	7,140	-	-	-	-	7,140
Loans and advances	1,333,352	-	-	-	1,925	1,335,277
Available-for-sale financial assets:						
Equity investments	-	1,639	-	-	-	1,639
	1,340,492	127,591	132,180	-	1,925	1,602,188

	The Bank 2014					
	Current and not impaired				Past due and / or impaired	Total
	Unrated	Rated (Long term, Short term) [5] ≥ AA-, A1	≥ A-, A2	≥ BBB-, A3		
	$000	$000	$000	$000	$000	$000
Financial assets						
Cash and cash equivalents	-	61,829	-	-	-	61,829
Held-to-maturity financial assets:						
Investments	-	38,002	103,692	52,031	-	193,725
Loans and receivables at amortised cost:						
Trade and other receivables	7,464	-	-	-	-	7,464
Loans and advances	1,193,806	-	-	-	790	1,194,596
Available-for-sale financial assets:						
Equity investments	-	1,639	-	-	-	1,639
	1,201,270	101,470	103,692	52,031	790	1,459,253

[5] Ratings grades refer to Standard and Poor's (S&P) rating levels for long term and short term issuer ratings respectively. Where a counterparty is rated by an alternative ratings agency, its rating has been classified in line with the equivalent S&P rating.

33. Financial instruments (continued)

The delinquency of financial assets classified as past due and / or impaired at the end of the financial year are as follows:

	The Group 2015					
	Past due and not impaired			Past due and / or impaired		
	30 - 59 days $000	60 - 89 days $000	≥ 90 days $000	< 90 days $000	≥ 90 days $000	Total $000
Financial assets						
Loans and receivables at amortised cost:						
Loans and advances	680	385	382	75	403	1,925
	680	385	382	75	403	1,925

	The Group 2014					
	Past due and not impaired			Past due and / or impaired		
	30 - 59 days $000	60 - 89 days $000	≥ 90 days $000	< 90 days $000	≥ 90 days $000	Total $000
Financial assets						
Loans and receivables at amortised cost:						
Loans and advances	199	122	-	58	411	790
	199	122	-	58	411	790

	The Bank 2015					
	Past due and not impaired			Past due and / or impaired		
	30 - 59 days $000	60 - 89 days $000	≥ 90 days $000	< 90 days $000	≥ 90 days $000	Total $000
Financial assets						
Loans and receivables at amortised cost:						
Loans and advances	680	385	382	75	403	1,925
	680	385	382	75	403	1,925

	The Bank 2014					
	Past due and not impaired			Past due and / or impaired		
	30 - 59 days $000	60 - 89 days $000	≥ 90 days $000	< 90 days $000	≥ 90 days $000	Total $000
Financial assets						
Loans and receivables at amortised cost:						
Loans and advances	199	122	-	58	411	790
	199	122	-	58	411	790

33. Financial instruments (continued)

e. Liquidity risk

Liquidity risk is the risk that the Group may experience difficulties in raising funds to meet its commitments. The objective of liquidity risk management is to ensure that the Group always has sufficient liquidity to meet its liabilities under both normal and stressed market conditions.

The Group manages liquidity risk primarily through adherence to Board policies that require the Group to maintain a minimum of 9% of adjusted liabilities as liquid assets at all times. This policy also sets out various trigger levels and the required course of action should the liquidity ratio fall below these levels.

The ALLC meets regularly to consider the liquidity position of the Group and set rates as appropriate to manage liquidity within policy requirements. As at 30 June 2015 the Minimum Liquid Holdings ratio was 13.66% (2014: 17.04%).

The Group maintains the following borrowing facilities with Cuscal at the reporting date:

	The Group		The Bank	
	2015 $000	2014 $000	2015 $000	2014 $000
Overdraft facility:				
Committed limit	5,000	5,000	5,000	5,000
Undrawn amount	5,000	5,000	5,000	5,000
Standby borrowing facility:				
Committed limit	-	20,000	-	20,000
Undrawn amount	-	20,000	-	20,000
Total undrawn facilities available	5,000	25,000	5,000	25,000

There are no restrictions on withdrawal of funds under the standby facility.

The Bank also holds RMBS issued by DBL Funding Trust No. 1 which are eligible for sale and repurchase transactions with the RBA and serve to strengthen the Group's liquidity position. The value of securities outstanding that are eligible for sale and repurchase transaction with the RBA at the end of the reporting period are as follows:

	2015 $000	2014 $000
Aaa(sf) rated RMBS	127,426	160,622

To manage the liquidity risk arising from the financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment grade securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Therefore, the Group believes it is not necessary to disclose a maturity analysis in respect of these assets to enable the users to evaluate the nature and extent of liquidity risk.

33. Financial instruments (continued)

The following tables detail the contractual undiscounted cash flows of financial liabilities at the reporting date. The Group considers that the contracted maturities accurately represent the expected maturities.

	The Group				
	2015				
Financial liabilities	At call $000	Not at call, not longer than three months $000	Longer than three months, not longer than one year $000	Longer than one year, not longer than five years $000	Total $000
At amortised cost:					
Deposits	518,098	533,843	397,540	19,009	1,468,490
Trade and other payables	-	13,715	-	-	13,715
	518,098	547,558	397,540	19,009	1,482,205

	The Group				
	2014				
Financial liabilities	At call $000	Not at call, not longer than three months $000	Longer than three months, not longer than one year $000	Longer than one year, not longer than five years $000	Total $000
At amortised cost:					
Deposits	480,831	491,372	337,305	26,089	1,335,597
Trade and other payables	-	13,320	-	-	13,320
	480,831	504,692	337,305	26,089	1,348,917

	The Bank				
	2015				
Financial liabilities	At call $000	Not at call, not longer than three months $000	Longer than three months, not longer than one year $000	Longer than one year, not longer than five years $000	Total $000
At amortised cost:					
Deposits	518,098	533,843	397,540	19,009	1,468,490
Trade and other payables	-	13,715			13,715
	518,098	547,558	397,540	19,009	1,482,205

	The Bank				
	2014				
Financial liabilities	At call $000	Not at call, not longer than three months $000	Longer than three months, not longer than one year $000	Longer than one year, not longer than five years $000	Total $000
At amortised cost:					
Deposits	480,831	491,372	337,305	26,089	1,335,597
Trade and other payables	-	13,320	-	-	13,320
	480,831	504,692	337,305	26,089	1,348,917

33. Financial instruments (continued)

Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	The Group			
	Carrying amount		Net fair value	
	2015 $000	2014 $000	2015 $000	2014 $000
Financial assets				
Cash and cash equivalents	67,755	67,221	67,755	67,221
Held-to-maturity financial assets				
Investments	195,304	193,725	195,741	194,133
Loans and receivables at amortised cost:				
Trade and other receivables	1,611	1,713	1,611	1,713
Loans and advances	1,335,277	1,194,596	1,335,382	1,194,708
Available-for-sale financial assets:				
Equity investments [6]	1,639	1,639	1,639	1,639
	1,601,586	1,458,894	1,602,128	1,459,414
Financial liabilities				
At amortised cost:				
Deposits	1,450,025	1,316,788	1,451,327	1,317,706
Trade and other payables	13,715	13,320	13,715	13,320
	1,463,740	1,330,108	1,465,042	1,331,026

	The Bank			
	Carrying amount		Net fair value	
	2015 $000	2014 $000	2015 $000	2014 $000
Financial assets				
Cash and cash equivalents	62,828	61,829	62,828	61,829
Held-to-maturity financial assets				
Investments	195,304	193,725	195,741	194,133
Loans and receivables at amortised cost:				
Trade and other receivables	7,140	7,464	7,140	7,464
Loans and advances	1,335,277	1,194,596	1,335,382	1,194,708
Available-for-sale financial assets:				
Equity investments [6]	1,639	1,639	1,639	1,639
	1,602,188	1,459,253	1,602,730	1,459,773
Financial liabilities				
At amortised cost:				
Deposits	1,450,025	1,316,788	1,451,327	1,317,706
Trade and other payables	13,715	13,320	13,715	13,320
	1,463,740	1,330,108	1,465,042	1,331,026

[6] Equity investments represents shares in Cuscal Limited (refer to note 11). These shares are carried at cost as their value cannot be reliably measured due to the absence of an active market for the shares.

33. Financial instruments (continued)

	The Group			
	Fair value hierarchy as at 30 June 15			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash and cash equivalents	67,755	-	-	67,755
Held-to-maturity financial assets				
Investments	34,000	161,741	-	195,741
Loans and receivables at amortised cost:				
Trade and other receivables	-	-	1,611	1,611
Loans and advances	-	-	1,335,382	1,335,382
Available-for-sale financial assets:				
Equity investments	-	-	1,639	1,639
	101,755	161,741	1,338,632	1,602,128
Financial liabilities				
At amortised cost:				
Deposits	-	-	1,451,327	1,451,327
Trade and other payables	-	-	13,715	13,715
	-	-	1,465,042	1,465,042

	The Group			
	Fair value hierarchy as at 30 June 14			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash on hand and on deposit	67,221	-	-	67,221
Held-to-maturity financial assets				
Investments	25,000	169,133	-	194,133
Loans and receivables at amortised cost:				
Trade and other receivables	-	-	1,713	1,713
Loans and advances	-	-	1,194,708	1,194,708
Available-for-sale financial assets:				
Equity investments	-	-	1,639	1,639
	92,221	169,133	1,198,060	1,459,414
Financial liabilities				
At amortised cost:				
Deposits	-	-	1,317,706	1,317,706
Trade and other payables	-	-	13,320	13,320
	-	-	1,331,026	1,331,026

33. Financial instruments (continued)

	The Bank			
	Fair value hierarchy as at 30 June 15			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash and cash equivalents	62,828	-	-	62,828
Held-to-maturity financial assets				
Investments	34,000	161,741	-	195,741
Loans and receivables at amortised cost:				
Trade and other receivables	-	-	7,140	7,140
Loans and advances	-	-	1,335,382	1,335,382
Available-for-sale financial assets:				
Equity investments	-	-	1,639	1,639
	96,828	161,741	1,344,161	1,602,730
Financial liabilities				
At amortised cost:				
Deposits	-	-	1,451,327	1,451,327
Trade and other payables	-	-	13,715	13,715
	-	-	1,465,042	1,465,042

	The Bank			
	Fair value hierarchy as at 30 June 14			
	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial assets				
Cash on hand and on deposit	61,829	-	-	61,829
Held-to-maturity financial assets				
Investments	25,000	169,133	-	194,133
Loans and receivables at amortised cost:				
Trade and other receivables	-	-	7,464	7,464
Loans and advances	-	-	1,194,708	1,194,708
Available-for-sale financial assets:				
Equity investments	-	-	1,639	1,639
	86,829	169,133	1,203,811	1,459,773
Financial liabilities				
At amortised cost:				
Deposits	-	-	1,317,706	1,317,706
Trade and other payables	-	-	13,320	13,320
	-	-	1,331,026	1,331,026

34. Capital

Capital management

APRA Prudential Standards require ADIs to maintain at all times a minimum ratio of total capital to risk-weighted assets of 8%, comprising, at a minimum, a Common Equity Tier 1 ratio of 4.5% and a total Tier 1 ratio of 6.0%. The Group's capital ratio at the end of the financial year is as follows:

	The Group		The Bank	
	2015 %	2014 %	2015 %	2014 %
Common Equity Tier 1 ratio	15.9	15.8	15.9	15.8
Total Tier 1 Capital ratio	15.9	15.8	15.9	15.8
Tier 2 Capital ratio	0.4	0.4	0.4	0.4
Total Capital ratio	16.3	16.2	16.3	16.2

As part of its risk management framework, the Group has developed an Internal Capital Adequacy Assessment Process to monitor and manage capital in a manner that is consistent with the assessed risk exposure and forecast levels of business activity. Capital is managed in a range comfortably above the 8% minimum required by APRA and incorporates an annual assessment of appropriate risk exposures for operational, market and credit risks.

35. Subsequent events

Since the end of the financial year, the directors have not become aware of any matters or circumstances that may significantly affect the operations, results of those operations, or the state of affairs, of the Group.

36. Approval of financial statements

The financial statements were approved by the Board of directors and authorised for issue on 25 September 2015.

Directors' declaration

We, Paul Mulraney and Craig Madden, being two of the directors of Defence Bank Limited, in accordance with a resolution of the Board of directors, declare that:

a. in the directors’ opinion there are reasonable grounds to believe that Defence Bank Limited will be able to pay its debts as and when they fall due;

b. in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements; and

c. in the directors' opinion, the attached financial statements and notes to the financial statements are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of Defence Bank for the period ended 30 June 2015.

P Mulraney
Director
25 September 2015

C Madden
Director
25 September 2015

Deloitte.

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Defence Bank Limited

We have audited the accompanying financial report of Defence 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, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 7 to 54.

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* and for 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. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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 that we 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 entity'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 entity'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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Defence Bank Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Defence 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 statements also comply with International Financial Reporting Standards as disclosed in Note 3.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 25 September 2015

Auditor's independence declaration

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The Board of Directors
Defence Bank Limited
Level 5, 31 Queen Street
Melbourne VIC 3001

25 September 2015

Dear Board Members

Auditor's Independence Declaration to Defence Bank Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Defence Bank Limited.

As lead audit partner for the audit of the financial statements of Defence Bank Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Mark Stretton
Partner
Chartered Accountant

General information

Registration	Defence Bank Limited is a public company limited by shares (member shares) under the Corporations Act 2001 administered by the Australian Securities and Investments Commission ABN 57 087 651 385
Registered business name	Defence Bank
Australian financial services licence	Licence No. 234582
Registered office	Level 5, 31 Queen Street MELBOURNE VIC 3000
Corporate rating	Standard and Poors BBB+ / Stable / A-2
Mail address	PO Box 14537 MELBOURNE VIC 8001
Telephone numbers	(03) 8624 5888 1800 033 139
Fax number	(03) 8624 5892
Email	info@defencebank.com.au
Website	www.defencebank.com.au
Interstate trading	Defence Bank is registered to trade in each State and Territory of Australia.

ABOUT DEFENCE BANK

Defence Bank commenced operations in March 1975 as Defence Force Credit Union Limited (Defcredit) before changing its name to Defence Bank in 2012. Today, Defence Bank has 40 branches around Australia.

Unlike many other financial institutions, Defence Bank doesn't exist to make profits for shareholders. We're here to focus on your financial needs, rather than being driven to make profits for shareholders. We re-invest our profits back into the bank to make sure we give you the service and competitive products you deserve.

Defence Bank offers financial products and services to not only the Defence Force, but the broader community as well. With more than 90,000 members and more than $1.5 billion in assets under management, Defence Bank is one of Australia's larger member-owned banks.

WE'RE HERE TO HELP

For more information about any of our products and services, or for a no obligation free quote:

1800 033 139 (8am to 8pm AEST weekdays)

visit your local Defence Bank branch

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