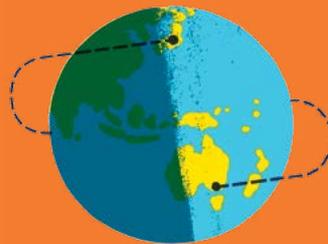


Mutual prosperity



People



Planet



Prosperity

2015
corporate
report
overview

Message from the Chairman

On behalf of the Board I am pleased to present the 2015 Corporate Report, our first as Bank Australia. This report covers our commitment to mutual prosperity – that is, how we have created value over the past year for our customers, the communities they live in and the planet we all live on.

We became Bank Australia on 17 August 2015. Our new brand is based on long term research and discussions with customers. We kept everything that is right with our bank: responsible banking; being 100%

customer and Australian owned; and, creating and protecting value for our customer owners. We added a stronger brand and a recognisable and easy-to-understand name that includes all Australians. This decision will help us consolidate our reputation for customer owned responsible banking.

We made other changes this year. We simplified our products and fees, we improved the onboarding experience for customers, and we trained and better involved our staff in designing our customer experience. We also created a roadmap for investment in and development of the bank to secure a strong future for it and our customers. Bank Australia's continuing success story is one we are determined to maintain.

Our aspiration

Bank Australia's aspiration is to be regarded as Australia's leading responsible bank and have the predominant market share of the socially aware consumer segment.

Socially aware customers 2015

38.05%

Our goal is to have socially aware customers represent 50% of our total customer base by 2020.

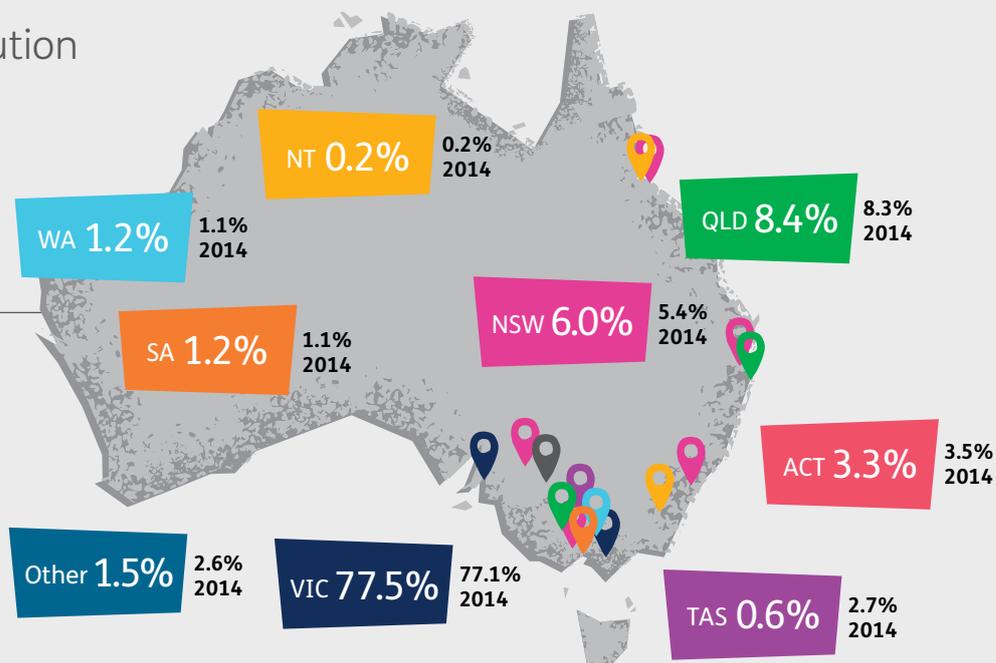
Our profile

Bank Australia operates in Australia and is headquartered in Melbourne, Victoria. We have 24 branches across Australia, and provide our customers with access to 3,099 RediATMs across Australia. Our national lending and contact centres are based in Gippsland, Victoria.

Geographic distribution of customers

Total customers 2015

127,837



 Branch locations

Prosperity

This year the Board set an ambitious target for our staff – grow our deposit book by 8% and loan book by 8%. I am pleased to report staff accepted and exceeded this challenge, with loans growing by 9.8% and deposits by 10.3%. The bank's assets grew by 10.8% to \$3.577 billion in 2015. This result helped us deliver an after-tax profit of \$24 million which in turn helped build our customer owned reserves to \$412.0 million.

We reinvest our profits into the bank to provide competitive interest rates and fees, and quality products and services. In 2015 customers were collectively \$23.49 million better off than they would have been banking with one of Australia's four major banks.¹

We changed our fee structure in May. We simplified how we charge fees, so now over 65% of our customers do not pay any monthly fees. There was a mixed response to the change and sadly some of our customers closed their accounts. We received 1,101 negative comments about the fee change, but we also had 793 positive comments received by staff through our branches. And the majority of customers who closed their accounts did not use the bank as their main financial institution. This change in our approach to fees aligns with one of the founding principles of cooperative banking – customers should benefit in proportion to the business they conduct with their cooperative.

People and planet

We reviewed our Community Investment Program – it's now called the Bank Australia Impact Fund. As the Fund

develops, we will ensure we invest in areas that generate clear and measurable social and environmental outcomes. This year we invested \$744,183 (3.1%) of our after-tax profits to support the work of our community sector customers across the following areas: education, disability, financial inclusion, Aboriginal and Torres Strait Islander community development, conservation, sustainability and affordable housing.

We also renamed the conservation landbank – it's now called the Bank Australia Conservation Reserve. This simple change clarifies how we use the land and our work continues to revegetate it to help protect endangered species. Our operations also remained carbon neutral in 2015. Notably, we purchased fewer carbon offsets this year because we reduced our greenhouse gas emissions.

Total assets 2015

\$3.577 billion

Annual change 10.8%



After tax profit 2015

\$24.0m

Annual change -5.9%

Capital reserves 2015

\$412.0m

Annual change 9.2%

Employee profile

Female Male

Outside Victoria

22

15

Metropolitan Victoria

76

45

Regional Victoria (Gippsland)

82

21

Regional Victoria (Western)

54

20

Customer service and engagement

2015 2014

Average customer value

\$49,926

\$44,323

Compliments

207

224

Complaints

292

268

The year ahead

The year ahead is exciting. We will continue to offer great value to our existing customers and we hope for stronger brand recognition and increasing market share among socially aware consumers. We recognise the continuing low interest rate environment will again place pressure on interest margins. Regulatory pressure on investor lending will also reduce the proportion of our investor loan portfolio within our total loan portfolio.

This year we refined our Strategic Plan to give the bank greater clarity of purpose and set a vision for 2020. We set ourselves a more ambitious growth target and we will keep focusing on attracting a group of diverse, socially aware customers while responding to the needs of existing customers.

Growth is important because it gives us scale, which brings efficiencies as well as opportunities for customers and staff. It also means we can have a greater positive social and environmental impact across our communities.

We will keep investing in the bank, our technology platforms and our ability to create a simple and personal customer experience that is seamless across our digital and physical touch points. We will continue improving our risk management framework (to fulfil our responsibilities as the stewards of customers' funds) and develop our capacity to grow our distribution through third party relationships.

The Board also set Management the challenge of measuring workplace culture and measuring mutual prosperity to track our performance against these two key areas.

As part of the rebrand to Bank Australia we introduced a small number of our customers via video, photographs and news articles. It was a lovely way for customers to meet and get to know each other, the contributions they make to society and what they expect from their bank. We look forward to introducing you to more customers over the next year.

I would like to thank all customers, Directors, management and staff for their contribution to and support of Bank Australia over the past 12 months.

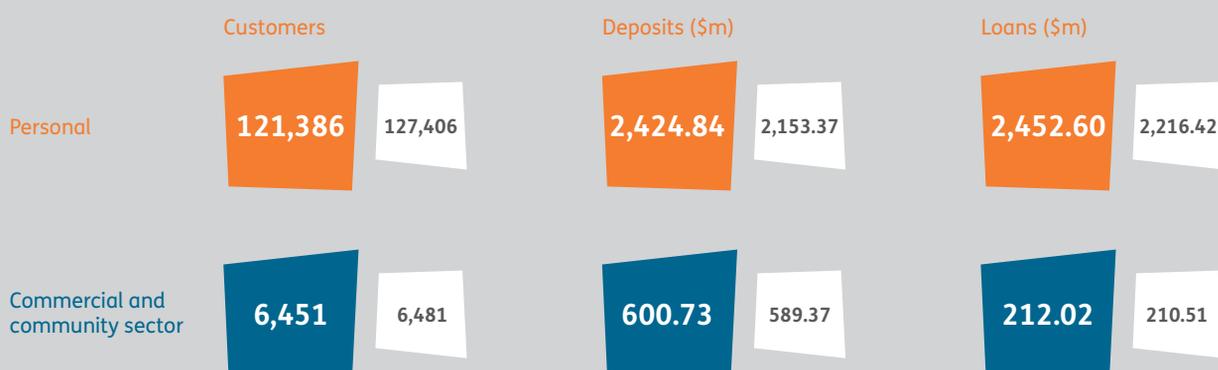


Judith Downes
Chairman



Deposits and loans

2015 2014 2015 2014



¹ Canstar valuation of Bank Australia pricing (rate and fees) against the average of the major four banks as at 30 June 2015.

Our purpose is to create mutual prosperity through our customer owned responsible approach to banking. It is our point of difference.

People

Impact Fund spend
(% of our after tax profit)

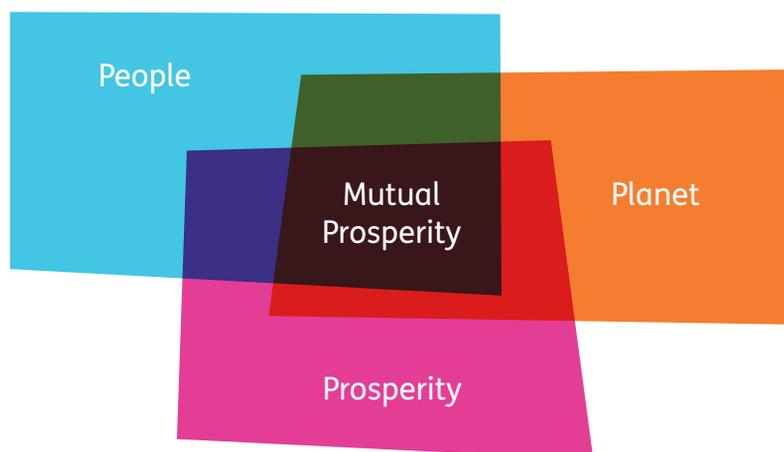
3.1% (\$744,183)

Annual change -14%

Staff development
(\$ per FTE)

\$1,727

Annual change 106.33%



We work to create positive social outcomes for our customers, staff and the communities in which we operate.

More information

This report is supported by more comprehensive data available from the Bank Australia website located at www.bankaustralia.com.au. It includes detailed performance reporting against Bank Australia's Strategic Plan in line with the International Integrated Reporting Framework, Global Reporting Initiative (GRI) data and the Bank Australia Statutory Financial Accounts – a copy of which can also be made available upon request.

Assurance and Audit Reports are also available online.

Feedback

To provide feedback or ask questions about the content of the Corporate Report, email corporateaffairs@bankaustralia.com.au or phone 132 888.

Planet

New home construction biodiversity offsets (m²)

93,415

Annual change 7.74%

Car loan carbon offsets (tonnes)

9,100

Annual change 2.99%

Prosperity

Customer benefit from interest rates and fees (\$ million)

\$23.49m

Annual change 3.48%

Credit quality (level of impaired loans)

0.23%

Annual change -25.80%

Net profit after tax (\$ million)

\$24.0m

Annual change -5.88%

Cost to income ratio (cost of operations)

64.3%

Annual change 7.71%

We work to create a healthier planet by supporting the environment that supports us.

We work to create prosperity for our customers and we invest their money responsibly.

If you would like to know more please contact us:



132 888



bankaust.com.au

Carbon neutral offsets (tonnes)

1,671

Annual change -6.80%

Loans to customers (\$ million)

\$2,663.2m

Annual change 9.78%

Lending to benefit people, planet and prosperity* (% of our total loan portfolio)

12%

Annual change 0%

Customers deposits (\$ million)

\$3,025.6m

Annual change 10.29%