



Loan interest rebate **10%**
Dividend **0.5%**



AGM Sunday 11 December
Free raffle at AGM



Annual Report & Financial Statements

For the Year Ended 30 September 2016



An Post Employees'
Credit Union Limited
1968–2016

Notice of Annual General Meeting (AGM)

Notice was posted to all members on 21 October 2016 that the 49th AGM of An Post Employees' Credit Union Limited will be held at the Teachers' Club, Parnell Square, Dublin 1 on Sunday, 11 December 2016 at 11am.

You are asked to note as follows:

- 1 The election of six members to the Board of Directors, three members to the Board Oversight Committee and an auditor will take place at the meeting. The closing date for nominations was 18 November 2016.
- 2 Motions for consideration at the AGM must be submitted in writing to the Secretary at 12–14 The Anchorage, Ringsend Road, Dublin 4 by Wednesday, 7 December 2016.
- 3 Members are asked to bring identification and their membership number to the AGM.

A prize draw will be held for those attending the AGM. Prizes this year are two mid-week breaks for two people to the Gleneagle Hotel, Killarney and four €100 cash prizes. Refreshments will be served after the meeting.



Colum Brennan
Secretary

NOTICE TO MEMBERS LIVING OUTSIDE THE DUBLIN COMMUTER BELT

The Board of the credit union is anxious that as many members as possible would attend the AGM but, at the same time, it recognises the practical difficulties involved.

For those who might find it possible to attend the meeting, the Board have agreed to make a contribution of €70 towards the costs of travel and overnight on Saturday. Those staying overnight on Saturday, 10 December, must make their own arrangements.

It would be appreciated if those who intend to travel would notify the undersigned in advance so that a cheque can be prepared and available at the end of the meeting.



Karina Malocca
Credit union office number: **01 660 2000**

Welcome

Greetings from the Board, Board Oversight Committee and staff of the credit union and welcome to the annual report for 2016. The report sets out how the credit union has performed during the year and how the officers and staff have acted on your behalf in managing the credit union's affairs.

The AGM will be held this year at 11am on Sunday, 11 December at the Teachers' Club on Parnell Square in Dublin. As you know, the AGM is the single most important event of the year for the credit union. It's where the Board of the credit union, the auditor and the various committees report back to the members.

Each individual credit union is owned and controlled by its members. It helps good governance for as many members as possible to attend the AGM to ask questions and understand how the affairs of the credit union are being managed on their behalf. It is hoped that last year's strong attendance will be exceeded this year.

I look forward to seeing you at the AGM. You may even be a lucky winner in the prize draw!



Paul Dolan
Chairman

AGM AGENDA

- | | |
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| 1 Introduction and welcome | 11 Report of the Credit Control Committee (<i>page 10</i>) |
| 2 Determination of quorum | 12 Report of the Membership Officer (<i>page 11</i>) |
| 3 Adoption of standing orders | 13 Motions and Rule Amendments |
| 4 Minutes of the 48 th AGM | 14 Report of the Nominations Committee |
| 5 Report of the Board of Directors (<i>page 6</i>) | 15 Appointment of tellers |
| 6 Report of the auditor (<i>page 17</i>) | 16 Elections |
| 7 Finance report and consideration of the accounts (<i>page 14</i>) | 17 Suspension of standing orders/open forum |
| 8 Declaration of dividend and loan interest rebate | 18 Result of elections |
| 9 Report of the Board Oversight Committee (<i>page 12</i>) | 19 Prize draw |
| 10 Report of the Credit Committee (<i>page 9</i>) | 20 Close of meeting/refreshments |

Directors and Other Information

BOARD OF DIRECTORS 2015-2016

Chairman: P. Dolan

Vice Chairman: M. Farrell

Secretary: C. Brennan

Board members: F. Hession, P. Doody, T. Harmon, M. Harrahill, T. Kavanagh, B. McKenna, F. O'Reilly, G. Ryan.

BOARD OVERSIGHT COMMITTEE 2015-2016

Chairman: D. Hoare

Committee: D. Joyce, S. Anderson, J. Hamilton, C. Sheehan.

STAFF

P. Ryan, K. Malocca, A. Togher, A. Whelan, S. Duffin, L. Keogh, S. Comerford, N. Cocoman.

CENTRAL BANK REGISTRATION NUMBER

87CU

REGISTERED OFFICE

12-14 The Anchorage, Charlotte Quay, Ringsend Road, Dublin, D04 A718

AUDITOR

FMB, 4 Upper Ormond Quay, Dublin, D07 PF53

INTERNAL AUDITOR

Crowleys DFK, Lapps Quay, Cork, T12 RW7D

PRINCIPAL BANKERS

Ulster Bank, 2-4 Lr. O'Connell Street, Dublin, D01 XH68

SOLICITORS

Ferry Solicitors, 15 Upper Ormond Quay, Dublin, D07 YK6A



At AGM 2015, Colum Brennan, left, and Paul Dolan



At AGM 2015, from left, Tony Black, Jim Byrne and George Fitzgerald



At AGM 2015, Noel and Jean Hamilton



At AGM 2015, from left, Frank Hession, Paddy Doody, Noel Kinsella and Frank O'Reilly



At AGM 2015, from left, Mick Quinn, Paddy Lee and Jim Mitchell



At AGM 2015, George Fitzgerald (left) and Jim Byrne



At AGM 2015, Paddy Lee (left) and Shay Anderson



At AGM 2015, from left, Joe Bowden, Martin Bowden and Dorothy Twomey

Directors Report and Chairman's Statement 2016

It is a pleasure to present the Directors' Report on behalf of the Board for the year ended 30 September 2016. This year has seen a strong performance by our credit union. It has also been an interesting year for the Irish credit union movement in general.

In 2016 mergers among credit unions was quite a common theme. It is expected that the total number of credit unions in the Republic will have reduced from over 400 a few short years ago to 280 by next March. The level of merger activity has varied greatly between different areas of the country. We are in a hot spot - of the ten credit unions within a short distance of our base in Dublin, eight have merged with larger credit unions. This has occurred as a direct result of regulatory issues, significant reduction in investment returns and the reduced demand for credit union loans between 2008 and 2014. As you know from previous annual reports, the income and balance sheet at this credit union are more than sufficient for it to remain viable as an independent credit union in the medium term assuming the credit union continues to enjoy strong member support.

The increased regulatory burden has largely been absorbed at this point and lending has picked-up at most credit unions. Unfortunately, investment returns have become "lower for longer" because of the actions of the European Central Bank and this is a continuing challenge for Irish credit unions where high levels of reserves and liquid funds are invested.

In relation to our own credit union, highlights of the year included the following:

- Our loan book increased by 3.4%, following a number of years of decline. This was a very welcome turnaround and it helps to secure the future of the credit union.
- Electronic payments (EFT) were introduced in August. This allows the credit union to transfer loans and share withdrawals directly into members' bank accounts. It also allows members to transfer funds into and out of their credit union accounts online and to pay bills. Members' accounts at the credit union all have their own BIC and IBAN codes, making them visible for electronic banking. This has changed the way that the credit union operates on a day-to-day basis in a very significant way.
- The credit union has introduced a loan within shares at a special rate of interest from 1 November 2016. This allows members to borrow "within their shares" at a rate of 4.99%. Members who do not have a loan with the credit union and who have saved a significant sum will benefit from this new loan rate. This new offering is available to members up to 31 March 2017. Depending on the take-up, it may well be extended beyond this date.
- The XMAS Deposit Account, originally introduced at the Portlaoise Mails Centre, was rolled out to all members during the year. If you have a Christmas savings club at your workplace, you might consider replacing it with individual credit union XMAS deposit accounts so that your colleagues have the protection of the Government Deposit Guarantee Scheme.

- A BMW 318D has been added to the monster Christmas car draw for the third year in a row, in addition to the usual Ford Fiesta. This year a cash option of €36,000 has been introduced in relation to the BMW.
- A third level education prize draw was introduced this year, highlighting the large number of educational loans granted each year at the credit union. The lucky winners were Niamh Hurley from Limerick, Rory Stanley and Rebecca Walshe, both from Co Dublin.

The Board is recommending a dividend on shares of 0.5% this year, a reduction on last year's dividend. This reflects the almost zero interest rates across Europe. However the loan interest rebate is being increased from 7% to a very impressive 10%. As the interest rebate is not subject to DIRT, it is a great benefit to borrowers and it reduces the effective cost of their credit union loan. Like the dividend, the rebate is added to the member's shares.

The annual report and the AGM provide an opportunity to thank various people who have made a significant contribution to the credit union and who are stepping down from their roles. Founder member Frank Hession is retiring from the Board this year after an incredible 48 years of enthusiastic and hard work on behalf of credit union members. Thankfully, Frank has agreed to remain a member of the credit committee after he leaves the Board, so that his knowledge and experience can be shared. Paddy Doody also retires from the Board after thirty years, having been one of the faces of the credit union at the DMC and Sherriff St. for many years. Paddy has also agreed to continue as a member of the credit committee. Finally, Vice Chairman and Membership Officer Mick Farrell also steps down from the Board this year and he also hopes to remain active as a volunteer. Mick has visited a large number of An Post work locations over the past eighteen months which is much appreciated by his colleagues in the credit union. I thank Frank, Paddy and Mick on your behalf for their enormous contribution and dedication.

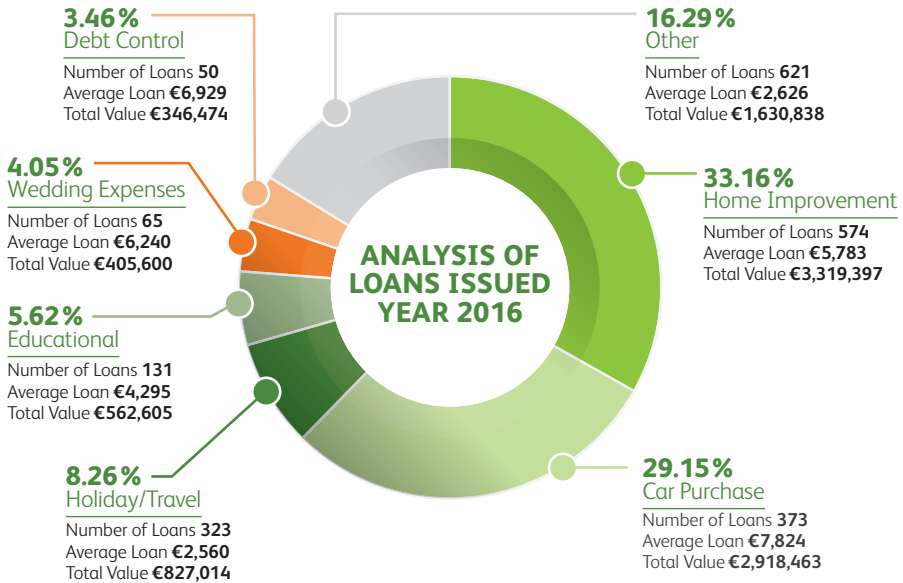
Finally, I would like to thank my colleagues on the Board, the members of the Board Oversight Committee and the other volunteers for all their efforts over the year. Thanks also to Manager Paul Ryan and staff members Karina, Adrienne, Alan, Siobhan, Lorraine, Sarah and Noel for their hard work and assistance over the past twelve months. A special word of thanks to our representatives around the country and to colleagues at the National Payroll Centre for their help and assistance.

I look forward to seeing as many of you as possible at the AGM on Sunday, 11 December at 11am.



Paul Dolan
Chairman

* Typical APR 5.2%



Cutting the cost of third level education!

Did you know that three members in full-time, third level education won **€1,500 each** in September's third level education prize draw?

If you have a son or daughter in College or thinking of College, make sure that they become a member of the credit union in their own right. It is planned to repeat the draw in 2017 so they could be lucky.

2016 Education Prize Draw Winners



Niamh Hurley, Limerick,
with her father Jeremiah



Rebecca Walsh, Co Dublin,
with her father Patrick



Rory Stanley, Co Dublin

Report of the Credit Committee 2016

It is my pleasant duty to report on the activities of the Credit Committee during the year.

The role of the Credit Committee is to oversee the loan approvals process and to ensure that all credit union lending complies with the relevant legislation and regulation, with the credit union's own lending policy and with good practice generally. We also try to ensure that the lending culture at the credit union is based around respect and fairness.

During the year, 2,137 loans were issued, a total amount of over €10.0M. This is a substantial increase of more than 17.5% on last year by value. Reflecting the increase in new loans, the total loan book grew by over 3.4%, the first increase in many years and a welcome sign that the years of financial stress may finally be over.

52 loans were refused, but refusals were kept to a minimum.

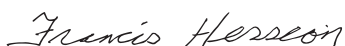
A "loan within shares" at a special, low rate of 4.99% (APR 5.1%) has been launched with effect from 1 November 2016 and will remain available until 31 March 2017 at which time the rate will be reviewed. If the rate is withdrawn at that point, members already approved will continue to enjoy the low rate. Many of our members have substantial shares with the credit union but no loan so this new loan is likely to prove very popular.

It is worth mentioning again that the credit union has plenty of funds for lending to members and that our loan interest rate has not increased throughout the financial crisis. Other key features of a credit union loan, including loan protection insurance at no direct cost to the member and the ability to clear all or part of the loan without penalty, remain in place. Very significantly, the credit union has a long standing pattern of paying a loan interest rebate at year-end (a 10% rebate is proposed this year). The rebate and free loan protection insurance reduces the real cost of your credit union loan.

Although there is no shortage of credit union funds for lending, the Credit Committee must take account of the member's ability to repay the loan. This includes taking account of any arrears or over-borrowing in relation to mortgages, bank loans and credit cards.

We use the services of the Irish Credit Bureau in assessing loan applications and find it invaluable. The commencement of a new, national credit database is expected in 2017.

Finally, I would like to thank my fellow committee members Frank O'Reilly, Paddy Doody, Peter McCarthy and Tomás O'Maonaile for their diligence in serving the members. I would also like to thank the staff, particularly lead loans officer Adrienne Togher, ably assisted by Sarah Comerford and Lorraine Keogh.



Frank Hession

Chairman, Credit Committee

Report of the Credit Control Committee 2016

The function of the Credit Control Committee is to monitor the loan portfolio and to ensure that loans to members are repaid in accordance with the terms of the credit agreements entered into and signed by them. Failure to adhere to the credit agreement will result in arrears building up and possible damage to the member's credit rating with the credit union and with the Irish Credit Bureau resulting in difficulties obtaining credit in the future.

15 loans have been charged-off this year, a total of €52,259. These amounts will be pursued by all means at our disposal including the use of legal action and/ or debt collection agents where necessary. This year, recoveries of previously charged-off loans amounted to €78,259. By way of comparison, loans charged-off during the previous year amounted to €92,303 while recoveries amounted to €60,161. The committee is pleased with the improvement under both headings.

The committee meets every week to monitor all loans in arrears and to take whatever actions are needed. We also meet the Manager Paul Ryan regularly to examine the loan portfolio in greater detail to ensure that our accounting provision against bad and doubtful debts is adequate. At 30 September 2016, this provision totalled €1.04M. As in previous years, the Board engaged accountants Russell Brennan Keane to conduct an independent review of the provision.

I would appeal to members who find themselves in financial difficulties to contact the credit union as soon as possible so that we can help to resolve matters. We will always try to be understanding and to work with the member to come to a fair agreement within which they can manage according to their means.

Finally, I would like to thank my colleagues on the Credit Control Committee, Brian McKenna and Jimmy Doyle for their conscientious work and my thanks also to the Manager and all the staff for their help, co-operation and support during the year.



Christopher Fitzgerald

Chairman, Credit Control Committee

Report of the Membership Officer 2016

I am pleased to present the Membership Officer's report for 2016.

At 30 September 2016, the membership stands at 5,925 compared to 5,735 last year, an increase of 190. This is a good outcome, although with eligibility for membership widened in 2015 to include much greater family membership, it was hoped to increase the numbers a bit more.

The people now eligible to join are those who have derived their livelihoods from the postal service and their families, namely employees, former employees and pensioners of An Post and any company in which An Post has a shareholding; Postmasters and their post office assistants; and in respect of each of the foregoing, their respective spouses, parents, siblings, children and grandchildren regardless of their place of residence. This helps the credit union to be as inclusive as possible while leaving An Post as the "glue" that binds us together as a group.

Membership of An Post Employees' Credit Union makes more sense than ever. With payroll deductions, unbeatable loans including the new loan within shares, access to useful savings accounts (including the XMAS deposit account), electronic payments, generous insurance cover (at no direct cost to the member) and a popular car draw, membership of this credit union is a great benefit for those associated in any way with An Post.

A new Development Officer, Noel Cocoman, has been appointed to the staff and part of his objectives is to increase the membership over the next year. I wish him every success.

I have visited a number of offices over the past year, both in Dublin and in other parts of the country. I received a warm welcome and positive feedback at every office and it is great to sense the loyalty to the credit union. I would like to thank Paul Emmet who gave me great assistance in these visits.

As I reach the end of my report, I wish to thank my fellow Board members, the Board Oversight Committee and all the other committees and volunteers that help with the running of An Post Employees' Credit Union. I would also like to give a great big thanks to the wonderful staff that are in the front line in dealing with the members.



Michael Farrell

Membership Officer

MEMBERS

Number of Members 2016	Increase
5,925	↑ 190

Report of the Board Oversight Committee 2016

The role of the Committee is to monitor governance standards at the credit union and to report back to the members in this regard. In an era where governance is under the spotlight at various Irish charities and sporting bodies, the role of the Board Oversight Committee is more relevant than ever.

The members of the Board Oversight Committee this year were Danny Hoare (Chairman), Dan Joyce (Secretary), Seamus Anderson and Jean Hamilton. Unfortunately Charlie Dwan resigned from the Committee early in the year but Charlie Sheehan was co-opted in his place. Jim Farrell joined us as a volunteer during the year. Seamus Anderson has decided to step down from the committee in the coming year and I would like to take this opportunity to thank him for his dedicated service over the years both as a member of the Supervisory Committee and the Board Oversight Committee.

At least one member of the committee attended each monthly/special meeting of the Board during the year. In accordance with the relevant legislation, we conducted four review meetings with the Board and after each meeting we provided the Board with our assessment of its performance.

We also attended monthly meetings of the various committees i.e. Credit, Credit Control, Executive, Liquidity & Investment, Audit & Risk, Nominations, Promotion & Development and IT. A member of the committee also attended each of the bi monthly car draws as a witness.

The Board Oversight Committee meets once a month where we review the meetings attended and arrange for our attendance at future planned meetings of the different committees.

It is our opinion that the Board has been compliant in their legal and regulatory requirements and have acted in accordance with part 1V and 1VA of the Credit Union Act 1997 (as amended) and other financial services legislation.

Finally we would like to thank the Board, management and staff of the credit union for their co-operation and assistance throughout the year.



Danny Hoare

Chairman, Board Oversight Committee

Other Credit Union Committees 2016

EXECUTIVE COMMITTEE

Chaired by credit union Chairman Paul Dolan, this committee acts as a communications channel to management and prepares for the monthly Board meetings to make them more effective. This committee also assists in relation to policy development, HR issues and complaints. Other members are Michael Farrell, Colum Brennan, Mary Harrahill and Paul Ryan. The Executive meets monthly.

LIQUIDITY & INVESTMENTS COMMITTEE

Chaired by Martin Ryan, this committee oversees the credit union's liquidity and its portfolio of cash and investments, some €29.0M at year-end. Other members are Paul Dolan, Tony Cashell, Mick Phillips, Peter McCarthy and Paul Ryan. The committee has a challenging role, given the difficulty in achieving any return from bank deposits or government/ bank bonds, effectively the only means by which credit unions are allowed to invest. The credit union's current investment strategy is to place some deposits over longer terms where opportunities arise, to reduce our immediate and 90 day liquidity to levels that are close to the regulatory minima in order to maximise returns in this low interest rate environment, to remain selective regarding further bond investments (as extremely low yields prevail) and to continue to expand the number of counterparties if possible to help reduce counterparty risk. The committee meets every month and is assisted by Goodbody Stockbrokers.

AUDIT & RISK COMMITTEE

This committee always has a busy agenda because of the weight of audit, regulatory, risk and compliance requirements on credit unions. Chaired by Teresa Kavanagh, the other committee members are Gerry Ryan and Brian McKenna. The Risk Officer on the staff, Alan Whelan, and Manager Paul Ryan attend the monthly meetings. The review of Board policies relating to risk/ compliance and managing the relationship with the external auditor and the internal auditor are priorities.

NOMINATIONS COMMITTEE

Chaired by Mary Harrahill, this committee is charged with ensuring that there are sufficient candidates for elections. Other tasks include reporting on the composition of the Board, attracting new volunteers, ensuring that new committee members receive suitable training and managing the Central Bank fitness and probity requirements. A very busy year saw the development of a training needs analysis, training plan and succession plan. Other committee members are Colum Brennan and Gerry Ryan. The committee meets as often as necessary, often once a month.

Other Credit Union Committees 2016 **Contd**

PROMOTIONS & DEVELOPMENT COMMITTEE

The P&D Committee is concerned with developing member services and communicating with members regarding any new developments. The expanded membership criteria, the introduction of electronic services and the new “loan within shares” have been the main themes this year. The committee also co-ordinates the network of representatives around the country and is involved in planning events such as the AGM and visits to An Post workplaces. The chairman is Tony Harmon and committee members are Michael Farrell, Paul Emmett, Christine Mitchell, Sharon Nannery and Eamonn Walsh.

IT COMMITTEE

Chaired by Margaret Fitzpatrick, the IT Committee monitors the credit union's computer systems and, in particular, any proposed developments, IT security issues and IT contracts. This year, the introduction of electronic payments, a new credit union web site incorporating members' online banking and a full off-site disaster recovery exercise were the main priorities. Other committee members are Kevin Doherty, Joe Bowden, John Donohoe and Alan Whelan.

Finance Report 2016

I am pleased to present the annual accounts for the year ended 30 September 2016 and on what has been a very stable year in financial terms.

This year the credit union is required to prepare the financial statements using FRS 102, a new accounting standard. As a result, the appearance of the accounts has changed somewhat and there are more disclosures and notes than in previous years. The most significant change to the figures concerns our provision for bad and doubtful debts while there are some relatively minor changes in relation to loan income, investments and pensions.

The income for the year has reduced by 5.8 % to €2.0M. Within this figure, loan interest income is up by 2.1 % to €1.7M because of stronger lending. The second component of credit union income, investment returns, is down sharply by 32.0 % to €310,970 despite a larger investment book. This is because the zero rate of interest introduced by the European Central Bank has had a drastic effect on deposit rates and bond yields and also because a surplus arose in the previous year on the sale of some government bonds. As this era of low deposit and bond returns is likely to last for a few more years, credit unions can no longer rely on strong investment returns.

On the expenditure side, the total expenditure this year at €964,838 was 21.7 % less than the previous year. The underlying trend is more stable than this suggests, the swing largely resulting from FRS 102 adjustments where we have been required to reduce our provision for bad debts and where we can no longer write down the value of our premises in an accelerated manner. Significantly, funds recovered from previously written-off loans have increased by 30.1 % to €78,259 while new written-off loans have declined by 43.4 % to €52,259 and I wish to acknowledge the hard work of the Credit Control Committee for this achievement.

Looking at the credit union income and expenditure together leaves a surplus of €1.0M for the year, up 15.9% on the year. The underlying surplus, ignoring FRS 102 adjustments, is largely unchanged from last year.

As outlined by the Chairman in his report, the annual dividend that the Board is recommending this year is reducing from 1% to .5% while the recommended interest rebate is increasing from 7% to 10%. It is unfortunate that the dividend be reduced when the finances are relatively stable but it is clear that if the credit union tries to buck the European interest rate trend, it will invite a larger inflow of shares that might undermine the balance sheet.

Looking more closely at the balance sheet, we can see that the loan book has increased by 3.4% while member savings have increased by 5.8%. The balance sheet remains in a very healthy position with total assets increasing during the year from €46.0M to €48.7M and with reserves increasing from 17.6% of assets to 18.6% of assets, excluding the proposed dividend and rebate. These figures all indicate growth and development at the credit union.

Finally, I would like to thank the Board of Directors, the Audit & Risk Committee and my colleagues on the staff for their assistance and co-operation. I would also like to thank the team at external auditors FMB, particularly Partner Patrick Loughnane and Audit Senior Kirsty Daly, and the staff at internal auditors Crowleys DFK, particularly Partner Tony Cooney and Director Fiona O'Sullivan.



Paul Ryan
Manager



At AGM 2015, Mary Harrahill and Willie O'Sullivan



At AGM 2015, Mick Phillips and Margaret Fitzpatrick

Statement of Directors' Responsibilities for the Year Ended 30 September 2016

The Credit Union Act, 1997 (as amended) requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the credit union and of the income and expenditure of the credit union for that year. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the credit union will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the credit union and which enables them to ensure that the financial statements comply with the Credit Union Act, 1997 (as amended). They are also responsible for safeguarding the assets of the credit union and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information (information needed by the credit union's auditor in connection with preparing the auditor's report) of which the credit union's auditor is unaware, and
- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the credit union's auditor is aware of that information.

On behalf of the credit union: 1 November 2016



Paul Dolan
Member of the Board
of Directors



Michael Farrell
Member of the Board
of Directors



At AGM 2015, Joe Crowley (left) and Tony Harmon



At AGM 2015, Teresa Kavanagh (left) and Sharon Nannery

Statement of Board Oversight Committee's Responsibilities for the Year Ended 30 September 2016

The Credit Union Act, 1997 (as amended) requires the appointment of a Board Oversight Committee to assess whether the Board of Directors has operated in accordance with Part IV, Part IVA and any regulations made for the purposes of Part IV or Part IVA of the Credit Union Act, 1997 (as amended) and any other matter prescribed by the Bank in respect of which they are to have regard to in relation to the Board.



Danny Hoare

Member of the Board Oversight Committee

Independent Auditor's Report to the Members of An Post Employees' Credit Union Limited

We have audited the financial statements of An Post Employees' Credit Union Limited for the year ended 30 September 2016 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is Irish Law and Accounting Standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the credit union's members, as a body, in accordance with Section 120 of the Credit Union Act, 1997 (as amended). Our audit work has been undertaken so that we might state to the credit union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the credit union and the credit union's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements, giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish Law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the credit union's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting

Independent Auditor's Report to the Members of An Post Employees' Credit Union Limited **Contd**

estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our audit report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the credit union's affairs as at 30 September 2016 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland
- have been properly prepared in accordance with the requirements of the Credit Union Act, 1997 (as amended)

OTHER MATTERS PRESCRIBED BY THE CREDIT UNION ACT, 1997 (AS AMENDED):

- We have obtained all the information and explanations which we considered were necessary for the purposes of our audit
- In our opinion, proper accounting records have been kept by the credit union
- The financial statements are in agreement with the accounting records

Patrick Loughnane

for and on behalf of FMB Chartered Accountants, Registered Auditors
4 Upper Ormond Quay, D07 PF53

Date: 17 November 2016



Concepta Dalton, winner of a BMW 318D last Christmas, is presented with the car by Paul Dolan, Credit Union Chairman



At AGM 2015, Kevin Molloy and Kevin Molloy!

Accounting Policies for the Year Ended 30 September 2016

STATEMENT OF COMPLIANCE

The financial statements of the credit union for the year ended 30 September 2016 have been prepared on the going concern basis and in accordance with generally accepted accounting principles in Ireland and Irish statute comprising the Credit Union Act 1997 (as amended) and in accordance with the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) issued by the Financial Reporting Council, as promulgated by Chartered Accountants Ireland.

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the credit union's financial statements.

1. FIRST-TIME ADOPTION OF FRS 102

These are An Post Employees' Credit Union Limited's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The transition to FRS 102 has resulted in a number of accounting policy changes compared to those applied previously. Note 26 to the financial statements describe the differences between the reserves and surplus presented previously and the amounts as restated to comply with the accounting policies adopted in accordance with FRS 102 for the reporting period ended 30 September 2015 (ie comparative information) as well as the retained reserves presented in the opening balance sheet (ie at 1st October 2014). It also describes all the required changes in accounting policies made on first-time adoption of FRS 102.

2. GOING CONCERN

The financial statements are prepared on the going concern basis. The Directors believe this is appropriate as the credit union:

- is consistently generating annual surpluses
- is maintaining appropriate levels of liquidity in excess of minimum legislative requirements
- has reserve levels which are significantly above the minimum requirements of the Central Bank.

3. INCOME RECOGNITION

Income is recognised to the extent that it is probable that the economic benefits will flow to the credit union and the revenue can be reliably measured. Income is measured at the fair value of the consideration received. The following criteria must also be met before revenue is recognised:

Accounting Policies for the Year Ended 30 September 2016 **Contd**

Interest on Members' Loans

Interest on loans to members is recognised using the effective interest method and is calculated and accrued on a daily basis.

Investment Income

The credit union uses the effective interest method to recognise investment income.

Other Income

Other income such as commissions receivable on insurance products and foreign exchange services arises in connection to specific transactions. Income relating to individual transactions is recognised when the transaction is completed.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and loans and advances to banks (i.e. cash deposited with banks) with maturity of less than or equal to three months.

5. BASIC FINANCIAL ASSETS

Basic financial assets are initially measured at the transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method. Basic financial instruments include the following:

Loans to Members

Loans to members are financial assets with fixed or determinable payments. Loans are recognised when cash is advanced to members and measured at amortised cost using the effective interest method. Loans are derecognised when the right to receive cash flows from the asset have expired, usually when all amounts outstanding have been repaid by the member.

Investments held at Amortised Cost

Investments designated on initial recognition as held at amortised cost are measured at amortised cost using the effective interest method less impairment. This means that the investment is measured at the amount paid for the investment, minus any repayments of the principal; plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction for impairment or uncollectability. This effectively spreads out the return on such investments over time, but does take account immediately of any impairment in the value of the investment.

Held to Maturity Investments

Investments designated on initial recognition as held-to-maturity are investments that the credit union intends, and is able to, hold to maturity. These are carried at amortised cost using the effective interest method. The fair value of some investment products will change during their life, but they will have a fixed maturity value at some future date. When designated as held-to-maturity, any change in the fair value during the term of the investment is ignored, with the credit union only accounting for interest received. Gains and losses are recognised

in income when the investments are derecognised or impaired, as well as through the amortisation process. Investments intended to be held for an undefined period are not included in this classification

Central Bank Deposits

Credit unions are obliged to maintain certain deposits with the Central Bank. These deposits are technically assets of the credit union but to which the credit union has restricted access. The funds on deposit with the Central Bank attract nominal interest and will not ordinarily be returned to the credit union while it is a going concern. In accordance with the direction of the Central Bank the amounts are shown as current assets and are not subject to impairment reviews.

6. OTHER RECEIVABLES

Other receivables such as prepayments are initially measured at transaction price including transaction costs and are subsequently measured at amortised cost using the effective interest method.

7. TANGIBLE FIXED ASSETS

Tangible fixed assets comprises items of property, plant and equipment, which are stated at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost of each item of property, plant and equipment, less its estimated residual value, on a straight line basis over its estimated useful life. The categories of property, plant and equipment are depreciated as follows:

Premises	2 % Straight Line
Computer equipment	25 % Straight Line
Office equipment	25 % Straight Line

Gains or losses arising on the disposal of an asset are determined as the difference between the sale proceeds and the carrying value of the asset, and are recognised in the income and expenditure account.

At each reporting end date, the credit union reviews the carrying value of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the credit union estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Accounting Policies for the Year Ended 30 September 2016 **Contd**

Recoverable amount is the higher of fair value less costs to sell and 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the Income and Expenditure account.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in the Income and Expenditure account.

8. EMPLOYEE BENEFITS

Pension Costs

The credit union participates in the Irish League of Credit Unions (the League) Republic of Ireland Pension Scheme (the Scheme). This is a funded, multi credit union, defined benefit pension scheme, with assets invested in separate trustee administered funds. However the credit union is unable to identify its share of the underlying assets and liabilities of the Scheme. Consequently, the credit union, in accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits, and guidance from the League, is accounting for the pension contributions as if the Scheme was a defined contribution scheme. Contributions payable to the Scheme are recognised in the income and expenditure account.

An actuarial review of the fund is normally carried out every three years by the Scheme's independent, professionally qualified, actuary. The actuarial review looks at the past & future liabilities of the Scheme.

The last completed triennial actuarial review was carried out with an effective date of 1 March 2014 using the Projected Unit Credit method. The principal actuarial assumption used in the valuation was the investment return would be 1.5% higher than the annual salary increases. The market value of the Scheme's assets at 1 March 2014 was €157m. The actuarial valuation disclosed a past service deficit of €27.7m on the long term funding basis at this date. This actuarial review recommended a long term funding rate of 27.7% of pensionable salary continues until the next actuarial review. The cost of risk benefits is paid in addition to this rate.

As a separate requirement under section 56(1) of the Pensions Act 1990, the Scheme's actuary must carry out a separate valuation every 3 years and produce a funding certificate for submission to the Pensions Authority within 9 months of the effective date of the valuation. The purpose of the certificate is to certify whether or not the assets of the Scheme at the effective date are sufficient to meet the liabilities based on the assumption that the Scheme was wound up at that date. The most recent Actuarial Funding Certificate certified that the Scheme did not meet the statutory minimum funding standard was submitted to the Pensions Authority with an effective date of 1 March 2012.

The Scheme is currently in a funding proposal which has been agreed with the Pensions Authority. The submitted funding proposal is designed to ensure that the Scheme could reasonably be expected to satisfy the funding standard as at 1 March 2019 and provides for a retirement contribution rate of 27.7%. The cost of risk benefits is payable in addition.

For the Scheme year ended 29 February 2012 the actuary advised that having been directed by the Trustees and Employer, in light of the current economic outlook, that it was appropriate to revise the assumption for salary increases over the remaining term of the funding proposal from 5% pa to 3.25% pa. He was reasonably satisfied that the Scheme will satisfy the funding standard as specified in Section 44 of the Pensions Act, 1990, at the date of 1 March 2019 specified by the Pensions Board under Section 49(2) (a) of the Act for the purpose of the existing funding proposal.

The Scheme's Solvency Position in accordance with the aggregate cover for total Funding Standard liabilities as at 28 February 2014 was 104.5%.

Other Employee Benefits

The costs of short-term employee benefits, including holiday pay, are recognised as a liability and as an expense (unless those costs are required to be recognised as part of the cost of fixed assets) over the period they are earned.

9. IMPAIRMENT OF MEMBERS' LOANS

The credit union assesses, at each balance sheet date, if there is objective evidence that any of its loans to members are impaired. The loans are assessed collectively in groups that share similar credit risk characteristics. Individually significant loans are assessed on a loan by loan basis. In addition, if, during the course of the year, there is objective evidence that any individual loan is impaired, a specific loss will be recognised.

Bad debts/impairment losses are recognised in the Income and Expenditure Account, as the difference between the carrying value of the loan and the net present value of the expected cash flows.

Accounting Policies for the Year Ended 30 September 2016 **Contd**

10. FINANCIAL LIABILITIES - MEMBERS' SHARES AND DEPOSITS

Members' shareholdings and deposits are redeemable and therefore are classified as financial liabilities. They are initially recognised at the amount of cash deposited and subsequently measured at the nominal amount.

11. DIVIDENDS AND OTHER RETURNS TO MEMBERS

Dividends are made from current year's surplus or a dividend reserve set aside for that purpose. The Board's proposed distribution to members each year is based on the dividend and loan interest rebate policy of the credit union.

The rate of dividend and loan interest rebate recommended by the Board will reflect

- the risk profile of the credit union, particularly in its loan and investment portfolios
- the Board's desire to maintain a stable rather than a volatile rate of dividend each year
- members' legitimate dividend and loan interest rebate expectations

all dominated by prudence and the need to sustain the long-term welfare of the credit union.

For this reason the Board will seek to build up its reserves to absorb unexpected shocks and still remain above minimum regulatory requirements.

Final dividends and other returns to members are accounted for as a liability after they are approved by the members in general meeting.

12. TAXATION

The credit union is not subject to income tax or corporation tax on its activities as a credit union.

13. RESERVES

Retained earnings are the accumulated surpluses to date that have not been declared as dividends returnable to members. The retained earnings are subdivided into realised and unrealised in accordance with the Central Bank Guidance Note for Credit Unions on Matters Relating to Accounting for Investments and Distribution Policy.

Regulatory Reserve

The Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 requires credit unions to establish and maintain a minimum regulatory reserve requirement of at least 10% of the assets of the credit union. This reserve is to be perpetual in nature; freely available to absorb losses; realised financial reserves that are unrestricted and non-distributable. This reserve is similar in nature and replaces the Statutory Reserve which was a requirement of previous legislation.

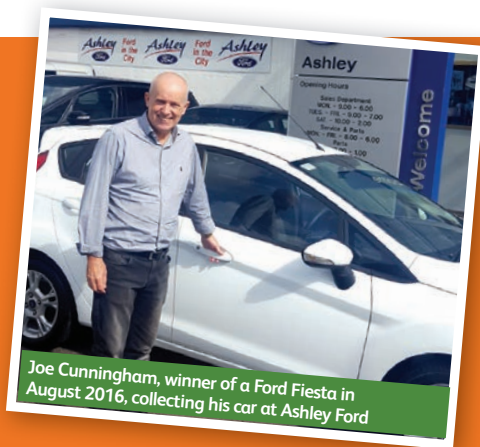
Operational Risk Reserve

Section 45(5)(a) of the 1997 Act requires each credit union to maintain an additional reserve that it has assessed is required for operational risk having regard to the nature, scale and complexity of the credit union. Credit unions are required to maintain a minimum operational risk reserve having due regard for the sophistication of the business model. The definition of operational risk is the risk of losses stemming from inadequate or failed internal processes, people and systems or from external events. The Directors have considered the requirements of the Act and have considered an approach to calculation of the operational risk reserve based on indicative guidance issued by the Central Bank.

Investment Income Reserve

Investment income that has been recognised but will not be received within 12 months of the balance sheet date is classified as “unrealised” and is not distributable as a dividend in accordance with the Central Bank direction. All other income is classified as “realised”. A reclassification between unrealised and realised is made as investments come to within 12 months of maturity date.

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2015/16 Winners

Concepta Dalton, Dermot Conroy, Joseph Quinn, William Rooney, Brendan Fowler, Joe Cunningham, Dymrna McEvoy

Great prizes to be won in each draw!

1 st Prize a FORD FIESTA 5 door	
2 nd Prize €1,000	7 th Prize €750
3 rd Prize €1,000	8 th Prize €500
4 th Prize € 750	9 th Prize €500
5 th Prize €750	10 th Prize €500
6 th Prize €750	11 th Prize €500

Income & Expenditure Account for the Year Ended 30 September 2016

		2016	2015
Income	Schedule	€	€
Interest on loans	1	1,698,519	1,664,167
Other interest income and similar income	2	310,970	369,358
Net Interest Income		2,009,489	2,033,525
Other income	3	1,748	12,993
Other gains	4	-	88,287
Total Income		2,011,237	2,134,805
Expenditure			
Salaries		294,487	284,172
Other management expenses	5	771,452	728,557
Depreciation		44,212	79,678
Bad debts provision		(119,313)	107,793
Bad debts recovered		(78,259)	(60,161)
Bad debts written off		52,259	92,303
Total Expenditure		964,838	1,232,342
Excess Of Income Over Expenditure For The Year		1,046,399	902,463

On behalf of the credit union: 1 November 2016



Paul Dolan
Member of Board
of Directors



Danny Hoare
Member of Board
Oversight Committee



Paul Ryan
Manager

The accompanying notes form part of these accounts

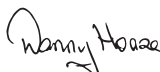
Balance Sheet as at 30 September 2016

		2016	2015
	Note	€	€
Assets			
Cash and cash equivalents	6	6,736,764	9,112,391
Investments	7	22,256,554	17,957,377
Loans	8	19,358,738	18,717,488
Less provision for bad debts	10	(1,036,767)	(1,156,080)
Tangible fixed assets	11	1,115,029	1,137,148
Debtors, prepayments and accrued income	12	252,056	203,045
Total Assets		48,682,374	45,971,369
Liabilities			
Members' shares	13	38,809,992	36,885,523
Members' deposits	14	239,194	40,319
Members' draw account		149,689	125,978
Other liabilities, creditors, accruals and charges	15	42,938	68,718
Retirement benefit liability		25,585	-
Total Liabilities		39,267,398	37,120,538
Reserves			
Regulatory reserve	17	5,127,411	5,127,411
Operational risk reserve	17	538,693	-
Other reserves			
• Realised reserves	17	3,701,644	3,700,504
• Unrealised reserves	17	47,228	22,916
Total Reserves		9,414,976	8,850,831
		48,682,374	45,971,369

On behalf of the credit union: 1 November 2016



Paul Dolan
Member of Board
of Directors



Danny Hoare
Member of Board
Oversight Committee



Paul Ryan
Manager

The accompanying notes form part of these accounts

Statement of Changes in Retained Earnings for the Year Ended 30 September 2016

	Note	2016 €	2015 €
Opening Balance at 1 October		800,230	860,160
Excess of income over expenditure		1,046,399	902,463
		1,846,629	1,762,623
Less:			
Transfer to regulatory reserve	17	-	(193,026)
Transfer to general reserve	17	(650,000)	(275,000)
Transfer to social cultural reserve	17	(9,000)	(9,000)
Transfer to investment income reserve	17	(20,599)	(5,932)
Dividend paid	18	(361,775)	(354,902)
Interest rebate paid	18	(116,492)	(124,533)
Total:		(1,157,866)	(962,393)
Closing Balance at 30 September 2016		688,763	800,230

Cash Flow Statement for the Year Ended 30 September 2016

	Note	2016 €	2015 €
Opening cash and cash equivalents		9,112,391	12,511,900
Cash flows from operating activities			
Loans repaid		9,316,882	9,081,399
Loans granted		(10,010,391)	(8,517,899)
Loan interest received		1,687,325	1,664,167
Investments interest received		288,103	499,334
Bad debts recovered		78,259	60,161
Dividends paid		(361,775)	(354,902)
Interest rebate paid		(116,492)	(124,533)
Operating expenses		(1,065,939)	(1,012,729)
Net cash flows from operating activities		(184,028)	1,294,998
Cash flows from investing activities			
Fixed assets purchased		(22,094)	(32,929)
Net cash flow from investments		(4,299,177)	(6,039,494)
Other gains		-	88,287
Net cash flows from investing activities		(4,321,271)	(5,984,136)
Cash flows from financing activities			
Members' shares received		9,978,047	9,787,775
Members' deposits received		354,566	44,419
Members' shares withdrawn		(8,049,864)	(8,559,906)
Members' deposits withdrawn		(155,691)	(4,100)
Net cash flows from financing activities		2,127,058	1,268,188
Other			
Other receipts		1,748	12,993
Decrease/(Increase) in prepayments		(14,950)	(11,448)
(Increase)/Decrease in other liabilities		15,816	19,896
		2,614	21,441
Closing cash and cash equivalents	6	6,736,764	9,112,391

Notes to the Financial Statements for the Year Ended 30 September 2016

1. GENERAL INFORMATION

An Post Employees' Credit Union Limited is a credit union incorporated under the Credit Union Act 1997 (as amended) in the Republic of Ireland. An Post Employees' Credit Union Limited is registered with the Registrar of Credit Unions and is regulated by the Central Bank of Ireland. The financial statements have been presented in Euro (€) which is also the functional currency of the credit union.

2. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of certain accounting estimates. It also requires the Directors to exercise judgement in applying the credit union's accounting policies. The areas requiring a higher degree of judgement, or complexity, and areas where assumptions or estimates are most significant to the financial statements are disclosed below:

Bad debts/Impairment losses on loans to members

The credit union's accounting policy for impairment of financial assets is set out in accounting policies on pages 19-25 of the financial statements. The estimation of loan losses is inherently uncertain and depends upon many factors, including loan loss trends, credit risk characteristics in loan classes, local and international economic climates, conditions in various sectors of the economy to which the credit union is exposed, and, other external factors such as legal and regulatory requirements.

Credit risk is identified, assessed and measured through the use of rating and scoring tools with emphasis on weeks in arrears and other observable credit risk metrics as identified by the credit union. The ratings influence the management of individual loans. The credit rating triggers the impairment assessment and if relevant the raising of specific provisions on individual loans where there is doubt about their recoverability.

Loan loss provisioning is monitored by the credit union, and the credit union assesses and approves its provisions and provision adequacy on a quarterly basis. Key assumptions underpinning the credit union's estimates of collective provisions for loans with similar credit risk characteristics and Incurred But Not Reported provisions ("IBNR") are based on the historical experiences of the credit union allied to the credit union's judgement of relevant conditions in the wider technological, market, economic or legal environment in which the credit union currently operates which impact on current lending activity and loan underwriting. If a loan is impaired, the impairment loss is the difference between the carrying amount of the loan and the present value of the expected cash flows discounted at the asset's original effective interest rate taking account of pledged shares and other security as appropriate. Assumptions are back tested with the benefit of experience. After a period of time, when it is concluded that there is no real prospect of recovery of loans/part of loans which have been subjected to a specific provision, the credit union writes off that amount of the loan deemed irrecoverable against the specific provision held against the loan.

Impairment of buildings

The credit union's accounting policy on tangible fixed assets is set out in accounting policies

on pages 19-25 of the financial statements. As described in the accounting policy the credit union is required to assess at each reporting date whether there is any indication that an asset may be impaired. If an impairment is identified, the credit union is required to estimate the recoverable amount of the asset. If there is no indication of impairment, it is not necessary to estimate the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs associated with sale and its value in use. In assessing whether the credit union's property is impaired, its current market valuation is considered as being equivalent to its fair value. Where the property's market valuation is identified as being below its carrying value, this amounts to a key indicator of the existence of impairment and the credit union is therefore required to undertake a value in use calculation on its property assets. Value in use is the present value of the future cash flows expected to be derived from the credit union's property. This present value calculation involves the undertaking of the following steps:

- (a) Estimating the future cash inflows and outflows to be derived from continuing use of property and from its ultimate disposal, where appropriate
- (b) Applying the appropriate discount factor to those future cashflows

The future cash inflows and outflows required for the value in use calculation are taken from financial projections prepared by management and approved by the Board of Directors. The discount factor applied in the value in use calculation is an assessment of the time value of money applicable to the credit union and will take account of previous guidance received from the Central Bank.

3. EMPLOYEES

Number of employees

The average monthly numbers of employees during the year were:

	2016 Number	2015 Number
Clerical/ admin (full time equivalent)	6	6
Total per balance sheet	6	6

Employment costs

	2016 €	2015 €
Wages and salaries	294,487	284,172
Pension costs	66,008	38,588
	360,495	322,760

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

3.1 KEY MANAGEMENT PERSONNEL COMPENSATION

The Directors of An Post Employees' Credit Union Limited are all unpaid volunteers. The key management team for An Post Employees' Credit Union Limited would include the Directors, the credit union manager and other senior staff. The number of key management for the financial year to 30 September 2016 amount to 15 (2015 - 15).

	2016 €	2015 €
Short term employee benefits paid to key management	195,062	195,062
Payments to defined contribution pension schemes	27,149	27,197
	222,211	222,259

4. PENSION COSTS

Pension costs amounted to €66,008 (2015 - €38,588). Included in the charge for the current financial year is an amount of €25,585 which relates to the recognition of commitments made by the credit union to fund the deficit in the ILCU defined benefit scheme until March 2019.

5. ANALYSIS OF INVESTMENT INCOME

	2016 €	2015 €
Received during the year	130,784	207,817
Receivable within 12 months	159,587	143,741
Other investment income	20,599	17,800
	310,970	369,358

6. CASH & CASH EQUIVALENTS

	2016 €	2015 €
Cash and bank balances	951,257	632,470
Short term deposits	5,785,507	8,479,921
	6,736,764	9,112,391

Short term deposits are deposits with maturity of less than or equal to three months. All other deposits are included in Investment in the balance sheet and disclosed in note 7.

7. INVESTMENTS

	2016 €	2015 €
Investments are classified as follows:		
Fixed term deposits maturing after 3 months	16,063,076	15,394,108
Deposit Protection Account and Minimum Reserve Account	298,803	273,926
Investment bonds	5,894,675	2,289,343
	22,256,554	17,957,377

The market valuation of the investment bonds held by the credit union at 30 September 2016 amounts to €5,872,389. The Directors have confirmed that they are satisfied that all fixed term investments will be held to maturity and therefore the recognition of an impairment is not required.

8. LOANS TO MEMBERS

	2016 €	2015 €
Opening Balance at 1 October	18,717,488	19,373,291
Loans granted	10,010,391	8,517,899
Loans repaid	(9,316,882)	(9,081,399)
Loans written off	(52,259)	(92,303)
Gross Loan Balance at 30 September	19,358,738	18,717,488
Impairment allowances		
Individual loans	(597,152)	(648,657)
Groups of loans	(439,615)	(507,423)
Loan provision	(1,036,767)	(1,156,080)
Net loans as at 30 September	18,321,971	17,561,408

9. CREDIT RISK DISCLOSURES

An Post Employees' Credit Union Limited does not offer mortgages and as a result all loans to members are unsecured, except that there are restrictions on the extent to which borrowers may withdraw their savings whilst loans are outstanding. There are maximum amounts set down by the Central Bank in terms of what amount a member can borrow from the credit union.

The carrying amount of the loans to members represents maximum exposure to credit risk. The following table provides information on the credit quality of loan repayments. Where loans are not impaired it is expected that the amounts repayable will be received in full.

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

		2016		2015
	€	%	€	%
Gross Loans Not Impaired	17,694,916	91.41%	17,239,577	92.10%
Gross Loans Impaired				
Up to 9 weeks past due	1,163,921	6.01%	846,139	4.52%
Between 10 and 18 weeks past due	111,513	0.58%	162,022	0.87%
Between 19 and 26 weeks past due	53,850	0.28%	123,132	0.66%
Between 27 and 39 weeks past due	74,094	0.38%	81,643	0.44%
Between 40 and 52 weeks past due	41,247	0.21%	98,298	0.53%
53 or more weeks past due	219,197	1.13%	166,677	0.89%
	1,663,822	8.59%	1,477,911	7.90%
Total Gross Loans	19,358,738	100.00%	18,717,488	100.00%

Of the total impaired gross loan book of €1,663,822 at 30 September 2016, an amount of €893,713 is identified as being at risk when attached member shares are considered.

	2016	2015
	€	€
Impairment Allowance		
Individual loans	(597,152)	(648,657)
Groups of loans	(439,615)	(507,423)
Loan provision	(1,036,767)	(1,156,080)
Net loans as at 30 September	18,321,971	17,561,408

10. LOAN PROVISION ACCOUNT FOR IMPAIRMENT LOSSES

	2016	2015
	€	€
Opening balance 1 October	1,156,080	1,048,287
Net movement during the year	(67,054)	200,096
Decrease as a result of loan write offs previously provided for	(52,259)	(92,303)
Closing provision balance 30 September	1,036,767	1,156,080

11. TANGIBLE FIXED ASSETS

	Premises €	Computer Equipment €	Office Equipment €	Fixtures & Fittings €	Total €
Cost					
At 1 October 2015	1,350,684	122,454	15,681	24,510	1,513,329
Additions	-	15,723	6,371	-	22,094
At 30 September 2016	1,350,684	138,177	22,052	24,510	1,535,423
Depreciation					
At 1 October 2015	243,498	94,503	13,670	24,510	376,181
Charge for the year	27,818	14,129	2,266	-	44,213
At 30 September 2016	271,316	108,632	15,936	24,510	420,394
Net book values					
At 30 September 2016	1,079,368	29,545	6,116	-	1,115,029
At 30 September 2015	1,107,186	27,951	2,011	-	1,137,148

An independent valuation of the credit union's premises was carried out by Mr Stephen J Kavanagh MRICS MSCSI of Ganly Walters Limited, in October 2015. In accordance with Financial Reporting Standard 102 "Impairment of Assets" the Directors carried out a value in use calculation at the year end, applying a discount factor of 4.5%, and this concluded that there was no requirement to write down the carrying value of fixed assets.

12. PREPAYMENTS AND ACCRUED INCOME

	2016 €	2015 €
Prepayments	60,676	45,726
Accrued income	180,186	157,319
Member loan interest receivable	11,194	-
	252,056	203,045

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

13. MEMBERS' SHARES

	2016 €	2015 €
Opening Balance at 1 October	36,885,523	35,655,242
Shares paid in	9,978,047	9,787,775
Shares withdrawn	(8,049,864)	(8,559,906)
Other movements	(3,714)	2,412
Closing Balance at 30 September	38,809,992	36,885,523

Members' shares are repayable on demand except for shares attached to loans. The breakdown of the shares between attached and unattached is as follows:

	€	€
Unattached Shares	29,542,174	27,562,911
Attached Shares	9,267,818	9,322,612
	38,809,992	36,885,523

14. MEMBERS' DEPOSITS

	2016 €	2015 €
Opening Balance at 1 October	40,319	-
Deposits paid in	354,566	44,419
Deposits withdrawn	(155,691)	(4,100)
Closing Balance at 30 September	239,194	40,319

Members' deposit accounts have the following maturity

Less than 1 year	239,194	40,319
One to two years	-	-
Two to five years	-	-
More than five years	-	-
Total Term Deposits	239,194	40,319

15. OTHER LIABILITIES AND CHARGES

	2016 €	2015 €
Accruals	42,938	68,718
	42,938	68,718

16. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURES

1. Financial risk management

An Post Employees' Credit Union Limited manages its members' shares and loans to members so that it earns income from the margin between interest receivable and interest payable. The main financial risks arising from An Post Employees' Credit Union Limited's activities are credit risk, liquidity risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Credit risk: Credit risk is the risk that a borrower will default on their contractual obligations relating to repayments to An Post Employees' Credit Union Limited, resulting in financial loss to the credit union. In order to manage this risk the Board approves a lending policy, and all changes to it. All loan applications are assessed with reference to the lending policy in force at the time. Subsequently loans are regularly reviewed for any factors that may indicate that the likelihood of repayment has changed.

Liquidity risk: The credit union's policy is to maintain sufficient funds in liquid form at all times to ensure that it can meet its liabilities as they fall due. The credit union adheres on an ongoing basis to the minimum liquidity ratio and minimum short term liquidity ratio as set out in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016.

Market risk: Market risk is generally comprised of interest rate risk, currency risk and other price risk. An Post Employees' Credit Union Limited conducts all its transactions in Euro and does not deal in derivatives or commodity markets. Therefore the credit union is not exposed to any form of currency risk or other price risk.

Interest rate risk: The credit union's main interest rate risk arises from differences between the interest rate exposures on the receivables and payables that form an integral part of a credit union's operations. The credit union considers rates of interest receivable on investments and members' loans when deciding on the dividend rate payable on shares and on any loan interest rebate.

2. Interest rate risk disclosures

The following table shows the average interest rates applicable to relevant financial assets and financial liabilities

	2016		2015	
	Average Amount	Interest	Average Amount	Interest
Financial Assets	€	Rate	€	Rate
Loans to members	19,358,738	8.90%	18,717,488	8.90%

The dividend payable is at the discretion of the Directors and is therefore not a financial liability of the credit union until declared and approved at the AGM.

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

3. Liquidity risk disclosures

All of the financial liabilities of the credit union are repayable on demand except for some members' shares attached to loans.

4. Fair value of financial instruments

An Post Employees' Credit Union Limited does not hold any financial instruments at fair value.

17. TOTAL RESERVES

	Balance 01/10/15	Dividend and loan interest rebate paid	Appropriation of current year surplus	Transfers between reserves	Balance 30/09/16
	€	€	€	€	€
Total Regulatory Reserve	5,127,411	-	-	-	5,127,411
Operational Risk Reserve	-	-	-	538,693	538,693
Other Realised Reserves					
Undistributed Surplus	800,230	(478,267)	366,800	-	688,763
General reserve	2,469,524	-	650,000	(538,693)	2,580,831
Dividend reserve	420,000	-	-	-	420,000
Social cultural reserve	10,750	-	9,000	(7,700)	12,050
Total realised reserves	8,827,915	(478,267)	1,025,800	(7,700)	9,367,748
Unrealised Reserves					
Investment income reserve	17,800	-	20,599	-	38,399
Special reserve	5,116	-	-	3,713	8,829
Total unrealised reserves	22,916	-	20,599	3,713	47,228
Total reserves	8,850,831	(478,267)	1,046,399	(3,987)	9,414,976

The credit union is required to maintain a Regulatory Reserve that supports the credit union's operations, provide a base for future growth and protect against the risk of unforeseen losses. The credit union needs to maintain sufficient reserves to ensure continuity and to protect members' savings. The Central Bank expects that credit unions whose total regulatory reserves are currently in excess of 10 per cent of total assets will continue to maintain reserves at existing levels on the basis that these continue to reflect the Board of Directors' assessment of the appropriate level of reserves for the credit union.

The balance on the regulatory reserve represents 10.53% of total assets as at 30 September 2016 (11.15% as at 30 September 2015)

The Board of Directors and the management team have undertaken a review of the credit union's risk register and risk management procedures in order to determine the adequacy

of the operational risk reserve. This review consisted of a consideration of each operational risk area, the various control procedures, outsourcing agreements and insurances in place to mitigate risk and the resultant remaining residual risk. An estimated costing to the credit union has been attached to each identified area of residual risk in computing the required operational risk reserve.

The balance on the operational risk reserve represents 1.11 % of total assets as at 30 September 2016. The special reserve represents the share balances of members no longer active in the credit union. They are held in special reserve until such time as they are claimed or can be legally taken to general reserve. The balance on the Investment Income Reserve represents investment income not receivable within 12 months of the financial year end. This reserve is not available for distribution. When this investment income is received or becomes receivable within 12 months, the relevant amount will be transferred back within the Income and Expenditure Account and will then become available for distribution. The balance on the Investment Income Reserve represents investment income not receivable within 12 months of the financial year end. This reserve is not available for distribution. When this investment income is received or becomes receivable within 12 months, the relevant amount will be transferred back within the Income and Expenditure Account and will then become available for distribution.

18. DIVIDENDS, LOAN INTEREST REBATE AND OTHER RETURNS TO MEMBERS

The Directors recommend the following distributions:

	2016		2015	
	Rate %	€	Rate %	€
Dividend on shares	0.50%	190,290	1.00 %	361,775
Loan interest rebate	10.00%	169,852	7.00 %	116,492

In accordance with FRS102 “Events after the End of the Reporting Period”, dividends and returns to members are accounted for in the financial statements after they are approved by the members in general meeting.

The returns to members paid in the current and prior year periods were as follows:

	2016	2015
	€	€
Dividend paid during the year	361,775	354,902
Dividend rate	1.00%	1.00 %
Loan interest rebate paid during the year	116,492	124,533
Loan interest rebate rate	7.00%	7.00 %

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

19. RATE OF INTEREST CHARGED ON MEMBERS' LOANS

The credit union currently charge interest on outstanding loan balances to members, as follows:

Standard Rate 8.90%.

20. RATE OF INTEREST PAID ON MEMBERS' DEPOSITS

The credit union pays interest on members' deposits at the rate of 0.25 % per annum, payable in November 2016.

21. POST BALANCE SHEET EVENTS

There are no material events after the Balance Sheet date to disclose.

22. CONTINGENT LIABILITIES

All capital invested in fixed term deposit products, accounts in authorised credit institutions and investment bonds are guaranteed only if held to maturity. In the unlikely event of early encashment there may exist early settlement penalties or capital losses. The Directors have confirmed that all such products are to be held until their respective maturity dates.

The credit union participates in the Irish League of Credit Unions Republic of Ireland Pension Scheme (the Scheme). As detailed in the accounting policies, this is accounted for as if it were a defined contribution scheme, as the credit union is unable to identify its share of the underlying assets or liabilities. In the unlikely event of the Scheme closing with a shortfall in assets, the credit union may be required to provide additional funding.

23. CAPITAL COMMITMENTS

There were no capital commitments either contracted for or approved by the Board at the year end.

24. INSURANCE AGAINST FRAUD

The credit union has insurance against fraud in the amount of €2,600,000 in compliance with Section 47 of the Credit Union Act, 1997 (as amended).

25. RELATED PARTY TRANSACTIONS

The credit union has identified the following transactions which are required to be disclosed under the terms of FRS102 'Related Party Disclosures'

The following details relate to officers and related party accounts with the credit union. Related parties include the Board of Directors and the management team of the credit union, their family members or any business in which the Director or management team had a significant shareholding.

	2016	2015
	€	€
Total savings held by related parties	126,547	221,940
Total loans outstanding by related parties (17)	159,909	129,516
% of gross loan book	0.83%	0.69%
Loans advanced to related parties during the year (10)	39,000	-
Total provisions for loan outstanding to related parties at year end	5,243	-
Total provision charge during the year for loans outstanding to related parties	2,851	-

26. RECONCILIATION OF TRANSITION TO FRS 102

These are An Post Employees' Credit Union Limited's first financial statements to comply with FRS 102. The date of transition to FRS 102 is 1 October 2014.

The reconciliations below highlight the key impact on the surplus for the financial year and on the reserves of the credit union.

Income and Expenditure Account

Reconciliation of surplus from previous Irish Accounting Standards to FRS 102

	30 Sep 2015
	€
Surplus as previously reported	930,256
Adjustment with respect to a review of loan provisioning methodology under FRS 102	(27,793)
Surplus in accordance with FRS 102	902,463

Balance Sheet - Opening Reserves

Reconciliation of credit union's opening reserves from previous Irish accounting standards to FRS 102

	30 Sep 2016	30 Sep 2015
	€	€
Opening reserves as previously reported	8,532,198	8,083,789
Adjustment with respect to considered unallocated loan provisions not allowed under FRS 102	318,633	346,426
Opening reserves in accordance with FRS 102	8,850,831	8,430,215

Notes to the Financial Statements for the Year Ended 30 September 2016 **Contd**

The adjustment is explained as follows:

Loan Provision

The credit union has undertaken a detailed review of its bad debt provisioning methodology as part of the transition to the new accounting framework FRS 102. As part of this review credit union management have considered the results of internal and external loan book review procedures undertaken in the financial periods to 30 September 2014, 30 September 2015 and 30 September 2016 as well as historical and current loan impairment trends in these three periods. Following this review unallocated general provisions of €346,426 and €318,633 were identified in the overall loan provisions at 30 September 2014 and 30 September 2015 respectively which do not satisfy the criteria as set down in Section 11 of FRS 102 in relation to objective evidence of impairment. On this basis it is considered appropriate that these unallocated provisions should not be recognised in the financial statements as prepared under FRS 102.

27. AUTHORISATION AND APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors authorised and approved these financial statements for issue on 1 November 2016.

Additional Information (not Forming part of the Statutory Audited Financial Statements) for the Year Ended 30 September 2016

SCHEDULE 1 - INTEREST ON LOANS

	2016	2015
	€	€
Loan interest received	1,687,325	1,664,167
Loan interest receivable	11,194	-
Total per Income and Expenditure Account	1,698,519	1,664,167

SCHEDULE 2 - OTHER INTEREST INCOME AND SIMILAR INCOME

	2016	2015
	€	€
Investment income	310,970	369,358
Total per Income and Expenditure Account	310,970	369,358

SCHEDULE 3 - OTHER INCOME

	2016	2015
	€	€
Entrance fees	248	187
E.C.C.U. rebate	-	9,406
Car draw commission	1,500	1,500
Other income	-	1,900
Total per Income and Expenditure Account	1,748	12,993

SCHEDULE 4 - OTHER GAINS

	2016	2015
	€	€
Gains on Investments	-	88,287
Total per Income and Expenditure Account	-	88,287

Additional Information (not Forming part of the Statutory Audited Financial Statements) for the Year Ended 30 September 2016 **Contd**

SCHEDULE 5 - OTHER MANAGEMENT EXPENSES

	2016	2015
	€	€
Staff pension costs	66,008	38,588
Training costs	7,324	12,547
E.C.C.U. Insurance	189,234	172,155
Death benefit insurance	82,073	74,337
SPS contribution	17,064	21,628
Rates	12,171	9,871
General insurance	12,465	14,719
Light, Heat & Cleaning	23,395	24,265
Repairs and maintenance	13,003	22,666
Security	2,685	3,145
Printing and stationery	37,259	40,414
Promotion and advertising	7,689	9,916
Postage and telephone	51,523	45,824
Computer costs	50,185	25,460
Amortisation of bond premiums	17,347	22,932
Convention and seminar expenses	3,589	2,390
Travelling and subsistence	15,792	14,963
Entertainment costs	4,339	5,084
AGM expenses	3,388	5,203
Legal and professional	38,502	61,259
Credit reference agencies	7,939	8,109
Audit	14,717	14,628
Bank charges	15,100	14,752
General expenses	17,842	10,298
Affiliation fees	19,226	12,076
Regulatory levy	16,497	11,080
Central Bank Resolution Fund	24,895	29,824
Deposit Protection Fees	201	424
Total per Income and Expenditure Account	771,452	728,557

SCHEDULE 6 - OTHER LOSSES

	2016	2015
	€	€
	-	-
Total per Income and Expenditure Account	-	-

Tax and your Credit Union Savings

DIRT AND YOUR DIVIDEND ON SHARES

All 2016 dividends on credit union shares are subject to DIRT at the standard rate, regardless of whether they are designated as “special” shares or “regular” shares. The current rate of DIRT is 41.0%. This also applies to childrens’ accounts.

DIRT AND YOUR XMAS / DEPOSIT ACCOUNT

The XMAS savings account is a deposit account rather than a share account. No dividend is payable on these accounts but deposit interest, at a rate of .25%, is payable on 1 November each year. All deposit interest is subject to DIRT at 41.0%.

DIRT FOR OVER 65s AND PERMANENTLY INCAPACITATED PEOPLE

If you or your spouse is aged over 65 during the year and your total income during the year does not exceed certain levels, currently €36,000 (married combined income) or €18,000 (single/ widowed), you can claim exemption from the deduction of DIRT. You must complete a declaration form (DE1) and give it to the credit union – forms are available from the credit union office or from revenue.ie.

Remember that your total income includes state pensions, work pensions, deposit interest etc. If your total income now exceeds the specified amount, you should revoke any previous declarations sent to the credit union.

Permanently incapacitated people may also claim the exemption if income does not exceed similar levels but the exemption and the forms (DE2) are handled by the local Revenue office.

DIRT REPORTING REQUIREMENTS

Credit unions must report to the Revenue any dividend over €300 paid to a member during the previous year. Details of new accounts must also be reported.

TAXATION OF INTEREST REBATE

There is no tax due on your loan interest rebate. In effect, this is a reduction in the loan interest charged by the credit union during the year.

TAX ADVICE AND THE CREDIT UNION

The credit union is unable to offer tax advice to its members. The above information is for guidance and describes the tax treatment of members’ savings as understood by the credit union at the date of publishing (November 2016).

In Memoriam

Your prayers are requested for the repose of the souls of the following members who died during the year.

The Board of Directors offers its deepest sympathy to their families and friends.

Patrick J. Bonner	Mary Kavanagh	Kathleen Pauline O'Donnell
Harry Bradley	Richard King	John O'Riordan
Patrick Brennan	Richard Lane	Teresa Shakespeare
Ann Casey	John Lennon	Anthony Stafford
Sean Corbett	Joseph A Madden	Edward Toman
Richard Daly	Noel Maguire	Gerard Wall
Mary Donnelly	Brid Marken	Patrick West
John C Glynn	Brendan McKeever	Edward Whelan
Ruth Gunning	Michael Naughton	
Sandra Judge	Maire C Ni Mhurchada	

Notes

The background of the entire page is a light green color, decorated with various colored circles (green, orange, teal, blue) of different sizes, resembling confetti. Several large, stylized balloons are floating. One is orange, one is dark green, one is light green, and one is teal. Each balloon has a white highlight and a small green or blue knot at the bottom. Thin grey lines representing strings extend from the balloons towards the bottom of the page. The overall theme is celebratory and festive.

Loan within shares at 4.99% available!

Keep your savings and insurance benefits intact by borrowing within your shares rather than withdrawing your funds.*

Membership open to family members

Loan interest rebate of 10%

The loan interest rebate (not subject to DIRT) and loan protection insurance at no direct cost to the member reduce the cost of credit union loans even further.

*typical APR 5.1%



**An Post Employees'
Credit Union Limited
1968–2016**