Teachers Mutual Bank Limited

Annual Report and Sustainability Update 2016-2017

UniBank

Teachers Mutual Bank
We put you first

Firefighters Mutual Bank
Serving those who protect

Our vision

To be the largest, most successful and respected Australian mutual bank primarily focused on serving the Australian education sector and other niche markets in the professional and essential services sector.

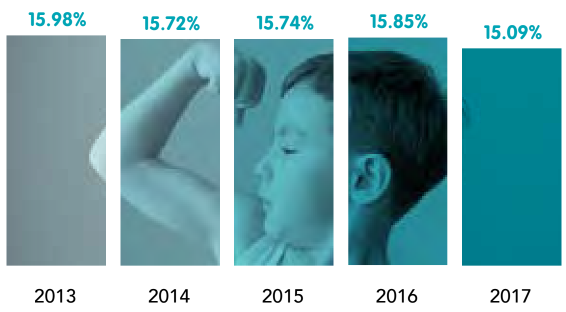
Contents

Key Financial Performance

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

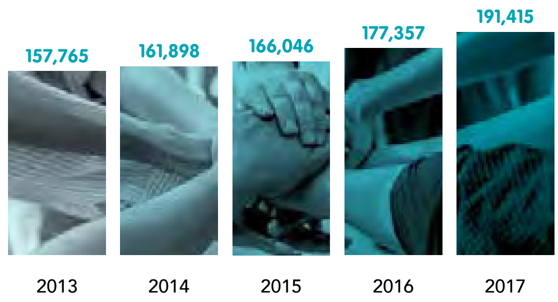
Capital adequacy ratio

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



Membership

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

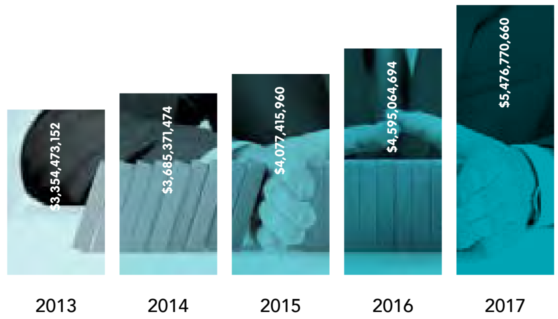


Profit after income tax

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

Loan balances

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

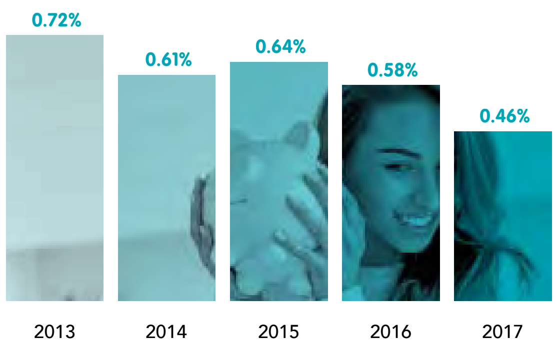


[1] *Parent (Bank) – not consolidated group.*

"We achieved a healthy net profit of $27.7 million after tax, and maintained a high capital adequacy ratio at 15.09%, comfortably above prudential requirements. Our capital reserves increased to $492.2 million and our asset base grew by 20.6% or $1.2 billion, to $6.7 billion."

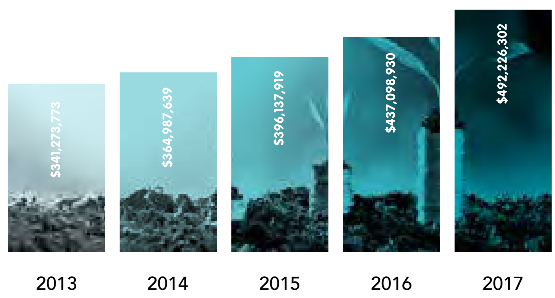
Return on assets

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



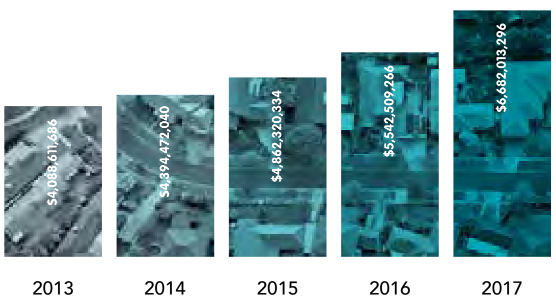
Reserves

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



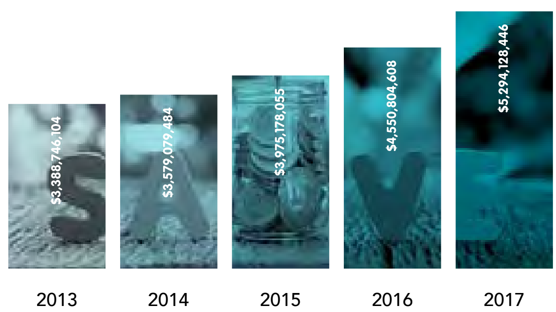
Assets

Assets are the total of all Teachers Mutual Bank Limited assets.



Member deposits

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



Chairperson and Chief Executive Officer's Report

Teachers Mutual Bank Limited continued to reach milestones in 2017, growing to more than $6.6 billion in assets, and completing another successful merger.

In a year that saw us merge with Firefighters Mutual Bank and expand our national footprint by opening a multi-brand office in Brisbane, we can confirm that our multi-brand strategy is maturing successfully.

The UniBank brand has demonstrated strong home loan growth during the last year, and has recently undergone a refreshing rebrand which reflects its university focus and innovative appeal.

Our merger in November 2016 with the NSW-based Fire Brigades Credit Union, now known as Firefighters Mutual Bank, saw us welcome their staff and over seven thousand members of the extended firefighting community to our Teachers Mutual Bank Limited family.

As the mutual banking sector continues to consolidate, we will look for opportunities to partner with like-minded institutions to build scale and financial strength. Our strength and stability as a large mutual bank means that we are better placed to withstand the pressures of the continuing low interest rate environment, technology developments and uncertain economic conditions in our economy and worldwide.

Despite these market challenges, we are pleased to report that we continued to thrive over the 2016-2017 financial year and strengthen our presence in the financial sector. We achieved a healthy net profit of $27.7 million after tax, and maintained a high capital adequacy ratio at 15.09%, comfortably above prudential requirements.

Thanks to our skilled and experienced Board of Directors and management team, excellent control of expenses was maintained during a year in which we conducted a successful merger.

Our capital reserves increased to $492.2 million and our asset base grew by 20.6% or $1.2 billion, to $6.7 billion.

A significant contributor to this growth was our continued success in growing our home loan portfolio, which now stands at $5.2 billion, up by 20.6% from last year. The financial year saw a record number of home loans secured through our home loan broking channel which complements the strong results from our mobile lending team. In keeping with our pledge in last year's Annual Report to invest further resources in third party loan brokering, we now have a network of 11 aggregators and almost 2,800 accredited brokers, up from 2,000 last year.

Rigorous regulatory conditions continued to prevail in 2016-2017, with investor lending remaining in the spotlight and a new focus on interest-only lending. We continue to maintain our levels of investor property lending within the regulator's expectations.

Our service to our members is the cornerstone on which we have built our reputation. We are pleased to report that we continued to be among the highest scoring banks in the nation in the Roy Morgan Research monthly bank customer satisfaction surveys throughout the last year.

Further industry recognition came from the Australian Retail Banking Awards, when we were named 2017 'Mutual of the Year'. This is the first time we have won this award, and we take pride in being named a leader among our fine peers in the mutual banking sector.

Awards like these can only be achieved when an organisation has all the right ingredients to achieve high performance and a leading reputation: a dedicated Board; talented employees; an innovative

can-do approach; strong technical performance; and a great sense of community. These have all helped to shape us into the successful, award-winning institution we are today.

One of our key values is sustainability, and you can read about our performance in the detailed sustainability section in this Report. It is nevertheless noteworthy that again in 2017, for the fourth year running, Teachers Mutual Bank Limited has been named one of the World's Most Ethical Companies, one of only three banks in the world to achieve this.

We have continued to invest heavily in technology, not only to provide technical innovations such as Apple Pay and Android Pay to our members, but also to ensure that our data and member records remain secure and protected against the ever-evolving threat of cyber fraud.

For 51 years we have been dedicated to one purpose – assisting our members to build wealth and enjoy financial wellbeing throughout their lifetime. Our members are the reason we exist and we are honoured to serve you.

Thank you for choosing Teachers Mutual Bank, UniBank or Firefighters Mutual Bank as your financial services provider.

John Kouimanos
Chairperson

Steve James
Chief Executive Officer

We put members' needs first

We help our members to build strong financial futures by providing award-winning competitive products and exceptional, customer-focused service.

For more than 51 years we have been serving employees in the education sector – people who have devoted themselves to the care and education of others, and who deserve the same care and commitment from their bank.

In 2016, we welcomed members of Firefighters Mutual Bank into our family. Firefighters Mutual Bank shares our commitment to exceptional service, ethical practice and community-minded behaviour, and we are delighted to be working together to serve more of Australia's valued service personnel. As a result of this merger we now have more than 191,000 members, making us one of Australia's largest mutual banks.

As we grow, we continue to put our members at the core of everything we do, helping people to build financial security for themselves and their families. We tailor our banking products to meet our members' evolving financial needs at all stages of their lives, and we continually seek out new ways to help them access and manage their money by investing in new technologies and enhanced services.

Member satisfaction

Our dedication to high-quality customer service has seen us maintain the highest levels of member satisfaction in Australian banking. We have been recognised as a market leader in this respect by Roy Morgan Research, as well as receiving the honour of being named 'Mutual of the Year' at the 2017 Australian Retail Banking Awards.

We consistently record high customer satisfaction levels, with Roy Morgan Research showing customer satisfaction rates averaging over 90% on a month-to-month basis during the 2016-2017 financial year. Our customer service, efficiency, and friendly, helpful staff are the main reasons why our members rank us so highly.

Banking accessibility

We are constantly striving to make banking easier for our members and ensure they have access to our services whenever and wherever they need them.

We are working to ensure more of our branches are multi-branded, so that UniBank, Firefighters Mutual Bank, and Teachers Mutual Bank members can easily identify their nearest branch.

We understand how hard it can be for members to access banking services during busy school holidays, so we've also begun to trial innovative shopping centre kiosks during term breaks, to help members get their banking done without queues or hassle.

Industry-leading products

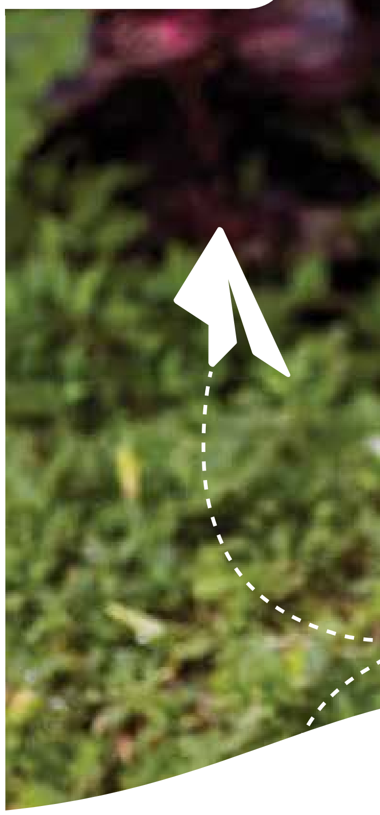
Our members are accustomed to having access to some of the most competitive financial products that the market has to offer, and once again this year the quality of our products has been recognised by both *Money Magazine* and *Mozo*.

Teachers Mutual Bank and UniBank credit cards were recognised as market-leading products, receiving *Money Magazine's* 'Best of the Best 2017: Cheapest Credit Cards' award, while both were also named as one of the 2016 'Best Low Rate' and 'Best No Annual Fee Credit Card' by *Mozo*.

Digital presence

Once again in 2016-2017 we launched innovative new products for our members to increase financial flexibility and help our members to take control of their financial journeys.

- **Growing membership**
  Firefighters Mutual Bank has joined our family, bringing the total membership of Teachers Mutual Bank Limited to **over 191,000.**
- **Member satisfaction**
  Consistently above **90%** across Teachers Mutual Bank Limited. Named 'Mutual of the Year' at the 2017 Australian Retail Banking Awards.
- **Digital innovation**
  Apple Pay, Android Pay, Samsung Pay and Spriggy introduced. New **mobile apps** for UniBank and Firefighters Mutual Bank.
- **Convenience and accessibility**
  New multi-brand **branches** for all members.

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"This year we developed and launched **mobile applications** for Firefighters Mutual Bank and UniBank. These new mobile apps have provided both increased **digital security and convenience** for members wanting to bank on the go."

We introduced Apple Pay, Android Pay and Samsung Pay mobile wallets, making paying in stores, via apps and on the web using a mobile even more convenient for our members.

In association with KPMG's mLabs project we trialled Spriggy, a prepaid card and pocket money mobile app for 8-18 year olds that helps parents and young people manage money together. Spriggy was an exciting initiative that helped our members teach their children about money so that they could develop healthy financial habits.

This year we also developed and launched mobile applications for Firefighters Mutual Bank and UniBank. These new mobile apps have provided both increased digital security and convenience for members wanting to bank on the go.

UniBank

Continuing our established engagement with the tertiary education sector, UniBank sponsored the Enactus group, a team of students from Edith Cowan University's Faculty of Business and Law, who have developed projects to improve quality of life and community engagement.

In 2017 we listened to our UniBank members and potential members who told us that the brand needed to be more relevant and contemporary in order to better position UniBank for sustainable growth in its target market. UniBank's new brand identity, including a new logo, was launched in June.

Firefighters Mutual Bank

Following the merger with Firefighters Mutual Bank at the end of 2016, we appointed a new Business Relationship Manager to provide dedicated support to Firefighters Mutual Bank members. The Business Relationship Manager's responsibilities include growing our membership and visiting fire stations across the country to offer face-to-face support to both existing and new members. Many more fire station visits are scheduled during the coming financial year.

Queensland

Our goal is to provide accessible and helpful services, right across Australia, that are responsive to member needs. To this end, we have recently introduced a brand new Business Relationship Management team to provide additional support to our Queensland members, who currently number 6,000 and growing. We have also opened an office in Brisbane's West End, to increase service coverage and focus on meeting the needs of members and the sectors we serve throughout the state.

Relief teachers

We understand that many of our members begin their career working on a casual basis, gaining varied experience in different environments and areas of the curriculum. Our Relief Teacher loan program puts our values into action by giving casual teachers access to tailored low fee loan options once they have been employed by their state's Department of Education for three months.

We value our employees

It is thanks to the quality, commitment and contentment of our team that we can provide such outstanding service to our members.

We understand that our organisation is built and developed by the people who work with us. To provide our members with the high quality service they deserve, we need to attract and retain top quality staff.

We achieve this goal by treating our employees with care and respect, by investing in them to help them achieve their full potential, and by consistently behaving in an ethical and community-minded way that makes people proud to be part of our team.

During 2016-2017 our workforce grew by 7% to 540 employees, which includes 17 people who joined our team following the merger with Firefighters Mutual Bank. We continued to invest heavily in our employees' learning and development, and to build a diverse and inclusive workplace for which we once again received national recognition.

Employee satisfaction

One of the most important measures of our success as an employer is staff engagement. Our 2016 employee attitude survey of Teachers Mutual Bank and UniBank employees revealed that 85% of staff would recommend us as a good place to work, with employee satisfaction being rated at 83% and employee engagement at 82%. These scores are in line with best practice in our industry and are reinforced by our exceptional staff retention rate.

Culture and diversity

Teachers Mutual Bank Limited was founded in a diverse community, and our members come from an array of different backgrounds. We aim to reflect diversity within our organisation by creating an inclusive environment founded on workplace equity. We value the diversity of experience and perspectives among our employees as a source of great strength.

In 2016, for the second year running, we were awarded an Employer of Choice for Gender Equality citation by the Workplace Gender Equality Agency. Just 106 citations were awarded nationally, and this outstanding achievement recognises us as one of Australia's leading companies for championing gender equality among our workforce.

We remain well above industry measures for gender equity in the workplace, including the percentage of women in board (44%), executive (28.6%) and management (40%) positions.

Learning and development

Staff learning, through both external studies and on-the-job coaching, continues to be a strong leadership focus. This year we increased our investment in staff learning by more than 20%, with 69 employees enrolling in courses ranging from certificate level to post-graduate study, and 41 employees successfully completing their qualifications in this financial year.

Corporate responsibility

Our employees are our ambassadors in the community, and we actively encourage and provide opportunities for them to make a difference to their community and environment.

One of the initiatives through which we proudly support their efforts is our Volunteer Leave Program. This gives every employee a day of paid leave each year, which they can use to volunteer their time and expertise to a charity of their choice.

We also hold staff fundraising days for charities such as RSPCA, Stewart House,

Learning and development
Investment increased by **20%**. 69 employees enrolled in education. 41 **qualifications** completed.

Community support
36 days of volunteer leave taken. Just under **$18,000** raised through staff **fundraising.**

Gender equality
44% female board members. **40%** female management.

83% employee satisfaction
82% employee engagement. **92%** staff retention.

ReachOut, World's Greatest Shave, and CUFA. This past financial year our employees raised almost $18,000 through workplace giving and our charity days

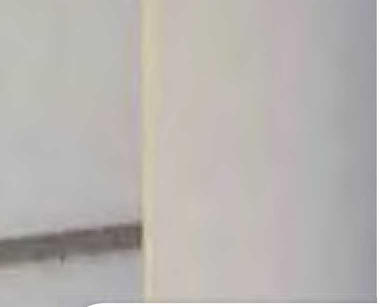
Employee welfare

We believe that the skill and commitment of our employees deserves recognition and reward, and that their welfare should be a priority for our business.

That's why we ensure our staff continue to benefit from a range of flexible and supportive working conditions, with benefits including 10 weeks' paid parental leave, domestic violence leave, natural disaster leave and volunteer leave.

We also offer industry-leading workplace practices and offer a range of health-focused initiatives, including health and fitness classes, to safeguard the wellbeing of our employees.


RAINWATER



Ethisphere Institute
One of the World's Most Ethical Companies.
4 years in a row.

Community investment
5.39% of pre-tax profits invested.
5 x LBG average.
10 x LBG Au/NZ average.
15 x LBG Au/NZ finance/insurance sector average.

Australian Retail Banking Awards
Shortlisted as Best Financial Institution in Corporate Social Responsibility.
5 years in a row.

Global Alliance for Banking on Values (GABV)
Joined **39** other banks developing sustainable banking practices worldwide.

We are a values-based bank

We aim to base our business practices on our values. We are responsible lenders and investors, ensuring that our business activities have positive impacts for our members and the broader community.

Sustainability is part of everything we do – it is a core value that we integrate into our operations, ethos and business relationships. We are proud to be recognised as a global leader in ethical and socially responsible behaviour and we're always looking for ways to improve our policies and our sustainable practice.

As one of the World's Most Ethical Companies, we desire to continue leading the financial services sector in Australia in ethical practice. Year after year, our goal is to demonstrate, that ethics and profitability are mutually beneficial.

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

Over the past financial year we have once again strengthened our position as a sustainable business leader while achieving strong financial growth.

Highlights from the past 12 months include:

» Joining the Global Alliance for Banking on Values (GABV), an international network of 39 banks dedicated to expanding and developing sustainable banking practices around the world. We are currently one of only two Australian banks to be granted membership to the GABV. Together we will work to promote values-based banking practices in Australia.

» Issuing $200 million in three-year ethical bond issuances, with proceeds based on the exclusion of fossil fuel lending and investing. This is the first wholesale cash product in Australia to be certified as an ethical investment by the RIAA. The issuance took meaningful steps to ensure our reputation as a responsible and ethical financial institution, and a pioneer in ethical bond issuance.

» Upholding our position on the Ethisphere Institute's list for the fourth consecutive year as one of the World's Most Ethical Companies. This year we are one of only three banks internationally to be named on the list and the only Australian company. This award honours companies that are global leaders in defining and advancing the standards of ethical business practices.

» Achieving global leadership in community investment for the fifth year in a row, with an investment of 5.39%, of pre-tax profits as measured by the LBG. Once again we outperformed other domestic and foreign companies with an investment rate that was five times the international average, 10 times the Australia and New Zealand average, and 15 times the Australia and New Zealand finance/insurance sector average.

» Being shortlisted for the fifth year in a row in the Australian Retail Banking Awards for Best Financial Institution in Corporate Social Responsibility. This builds on our performance in 2013, 2015 and 2016 when we were awarded the title of Best Bank in Socially Responsible Performance for our 'commitment to operating in an economically, socially and environmentally responsible manner'.

We support our community

Since our foundation, we have proudly supported our members through community investment in projects and initiatives that reflect their goals and social values.

Supporting education scholarships

In 2016-2017 we continued to provide scholarship support to leading educators around Australia.

Our 2017 Teachers Mutual Bank Harvard Education Scholarship was awarded to Melissa Proctor, Principal of Bass Hill Public School. Melissa undertook a professional education leadership program at Harvard University to further her work in educational leadership.

Kerry Wallace-Massone promoted drone technology in the classroom as our 2016-2017 Premier's Teachers Mutual Bank New and Emerging Technologies Scholarship recipient.

Murat Dizdar received our Executive Leadership Scholarship for his continued advocacy for public education, as the NSW Department of Education's Deputy Secretary.

Western Australia

In 2016-2017 we continued our sponsorship of the WA Secondary School Leader of the Year awards as part of the WA Education Excellence Awards. This Award recognises the challenging and inspiring role that principals and other leaders play in the primary school community.

Queensland

We continue to be proud investors in Queensland education and have begun a new partnership with Life Education in Queensland which reinforces learning about healthy food choices. We also supported the Queensland Principals Conference and Queensland Excellence Awards this year.

Australian Capital Territory

We continue to be proud supporters of the Step into the Limelight Festival which is the largest youth arts event in the ACT.

New South Wales

We work closely with the NSW Department of Education to deliver for the education community.
We proudly invest in a number of outstanding initiatives including the Schools Spectacular, the Premier's Sporting Challenge, and the Festival of Instrumental Music.

Stewart House

Approximately 1,800 disadvantaged school children each year attend Stewart House for a 12-day stay where they are provided with dental, optical, hearing and medical screening and treatment at no cost to their parents or carers.

Bell Shakespeare

We are very proud to have supported a new partnership with Bell Shakespeare through our funding of the 2017 Regional Teacher Mentorship.

The program gives 30 teachers from regional, rural and remote Australian schools a fully funded, year-long mentorship with the company.
Recipients receive specialist training in practical and innovative strategies for teaching Shakespeare, and ongoing support from Bell Shakespeare artists and staff. The mentorship equips outstanding regional teachers with the training to further their careers, and to enrich their students' learning through English and drama.

Community support
Supported projects in education, sport, technology, and the arts.

Supporting education
1150 schools visited, and 134 conferences supported in 2016-2017.

Bell Shakespeare
30 regional teachers supported through a year-long mentorship.

Member engagement
Over **200** member engagement events hosted in 2016-17.

UniBank

This year UniBank proudly sponsored the UWA Business School Young Alumni Network, ECU Enactus program, and several other vital education programs in the higher education sector. Our UniBank team provided support over the 2016-2017 financial year for a range of scholarships, sponsorships and academic prizes.

Firefighters Mutual Bank

In March 2017, Firefighters Mutual Bank were proud to sponsor 400in4, an epic 400km charity ride across NSW to raise crucial funds for the Burns Unit at The Children's Hospital at Westmead. We also partnered with Firefighter Championships to support their 2016 State Championship event, where firefighters competed to hone their skills and teamwork.

We protect our environment

We desire to always ensure our business activities, are in line with the ethical expectations of our members and we are environmentally sustainable.

Climate change
$200m ethical bonds issued. First certified ethical investment wholesale cash product in Australia.

Renewable energy
$450,000 invested. 612 solar panels. 1,826 LED lights. Greenhouse gas emissions cut by **28%**.

Carbon neutral
Teachers Mutual Bank Limited was a carbon neutral bank in 2016-2017, now for a fifth consecutive year.

Resource consumption
99.5% of paper from sustainable sources.

As one of the largest mutual banks in Australia we believe that we can act positively and sustainably through the choices we make about where we invest and the projects we fund.

We work consistently to ensure that our impact is positive, by actively minimising the energy and resources we consume across our business and by refusing to lend to or invest in industries that damage and pollute our environment.

We have embedded sustainability as a core value throughout our organisation, with all our employees now participating in training to ensure environmentally responsible practice.

Climate change

Climate change is one of the biggest environmental challenges we face, and we remain firmly dedicated to the commitments we made at the Australian Climate Leadership Summit in 2015.

Following the landmark certification of our debt issuance program by the Responsible Investment Association of Australasia (RIAA), we issued $200m in three-year ethical bonds in 2016-2017. The bonds are the first certified ethical investment wholesale cash product in Australia to be based on the exclusion of lending to, or investing in, large scale greenhouse gas pollution from fossil fuel exploration, extraction, production and use.

During the past financial year our environmental performance has been recognised by several prestigious industry awards, including Finalist, Large Business Sustainability Leadership in the Banksia Sustainability Awards; Joint Winner, Climate Change Leadership in the NSW Government Green Globes; and Finalist, Sustainability and Environmental Impact in the FM Industry awards for Excellence.

Renewable energy

This year we completed a $450,000 investment to ensure that clean energy is generated across all of the buildings we own. According to an assessment by sustainability advisory firm The Incus Group, our installation of 612 solar panels and 1,826 LED lights will cut our greenhouse gas emissions by 28% and save $750,000 over the next five years.

This investment in renewable energy is essential to minimise our environmental footprint and create a sustainable future for generations to come.

Carbon-neutral banking

For the fifth year in a row we have maintained our status as a carbon neutral bank, through the investment in carbon offset projects in the Asia Pacific region. Our continued commitment to renewable energy investments flow directly through our business, including the upgrade of two buildings to achieve 'net zero' carbon-emissions. Our carbon neutral status assures our members that they are banking with a carbon neutral financial institution.

A leading, sustainable bank

We are responsible in the way we invest and lend. We continue to reduce our direct environmental impact by focusing on solar power, waste, water and paper, in our business premises and across our supply chain. We do not use members' deposits to directly lend to, or buy equity or debt in, any large-scale greenhouse gas polluting activities from fossil fuel exploration, extraction, or production. These are just some of the reasons why Teachers Mutual

Bank Limited has been recognised with a Leadership Award from the Climate Alliance, and a Climate Change Leadership Award from NSW Government's Green Globes initiative.

Resource consumption

During 2016-2017 we ensured that 99.5% of the paper we use is from certified sustainable sources, with 64% of our paper also being certified carbon neutral. We continued to minimise paper use through robust company policies and the promotion of digital statements and newsletters, by encouraging recycling initiatives throughout our business, and to focusing on reducing the consumption of water across our premises.

Sustainability key performance indicators (KPIs) and targets

We report on our environmental, social and governance performance annually, and in 2017 we reviewed and strengthened our 90 targets and KPIs for Teachers Mutual Bank Limited. This helps to show we put sustainability at the forefront of our business, and integrate it throughout our operations, systems and relationships.

Members	**2014-2015**	**2015-2016**	**2016-2017**
Member satisfaction rating[1]	94%	93%	93%
CANSTAR Member Valuation (against the four major banks)[2]	$229	$276	$312
Member engagement events hosted	183	237	207
Disputes lodged with external bodies	9	11	10
Members assisted through the Credit Assistance program	81	130	159

Community	**2014-2015**	**2015-2016**	**2016-2017**
Total community investment (as measured by LBG) (FY2016 data)	$1,670,000	$1,977,000	$2,412,000
% of net profits before tax (NPBT)	4.6%	4.7%	5.4%
School visits	1,533	1,169	1,150
Conferences supported	205	161	134
Employee fundraising	$17,524	$24,336	$17,984

Employees	**2014-2015**	**2015-2016**	**2016-2017**
Percentage of females in management	30%	38%	37.5%
Employee satisfaction[3]	86%	83%	78%
Employee engagement rating	87%	82%	81%
Employee turnover rate	10%	8%	10.3%
Employees currently studying	12%	17%	15%
Study leave days granted	221	209	154
Worker compensation claims[4]	7	4	6
Staff satisfaction with workplace health & safety (WH&S)	89%	93%	89%
Average lost time incident rate (in days)	5	17	28

Environment	**2014-2015**	**2015-2016**	**2016-2017**
Paper recycled (tonnes)	40.3	38.5	36.5
Paper use per employee (kg/FTE)	151	134	102
Waste generated per employee (kg/FTE)	136	132	81
Electricity generated by solar panels (KWh)	0	0	220,596
Emissions intensity (tCO2-e per million $ of assets)	0.33	0.24	0.17

[1] As measured by the Member Satisfaction Survey conducted by GALKAL. [2] Canstar is an independent financial services research group (www.canstar.com.au). The Member Valuation is a measurement of the return provided on the investment that the member's share represents. The valuation is commissioned by Teachers Mutual Bank Limited. [3] Data from Teachers Mutual Bank Limited internal staff survey. 4 In 2016-2017, this consisted of two lost time occurrences and four medical expense claims.

Sustainable business practice

Results on our targets

1. Strive for international leadership in sustainable business practices[1]	We measure international leadership with our performance in the World's Most Ethical (WME) Company list by the Ethisphere Institute. We were named in the list for the fourth year running, and one of only three banks worldwide. WME is a comprehensive benchmark that measures: ethics and compliance programs; corporate citizenship and responsibility; culture of ethics; governance; and leadership, innovation and reputation. Every year the benchmark gets tougher, and in 2017 it was strengthened through a revision of about 40% of the prior questions. We joined the Global Alliance for Banking on Values (GABV), an international network of 39 member banks dedicated to working collaboratively to expand and develop sustainable, values-based banking practices around the world.
2. Benchmark and report on our community investment using the London Benchmarking Group (LBG) global standard[2]	This year we achieved global leadership in community investment, for the fifth year in a row with an investment of $2.4 million (5.39% NPBT, equal to 7.98% NPAT). As benchmarked by the LBG, this is 10 times the Australia and New Zealand average, 17 times the Australia and New Zealand finance/insurance sector average, and 5 times the international average. LBG benchmarking is based on criteria from the previous year.
3. Board meetings have Corporate Social Responsibility (CSR) as a standing agenda item	Thirteen Board meetings were held in 2016-2017, with CSR as a standing agenda item. The Board also has an annual CSR Strategy presentation and discussion.
4. CSR Policy and CSR Committee Charter is reviewed and updated annually by the Board	CSR Policy 2220 and the CSR Committee Charter were updated and reviewed by the Board. The CSR Committee now has all Executives as members. The CSR Policy revision details over 200 actions across 35 pages.
5. Environmental, Social and Governance (ESG) issues embedded in our lending and investment practices	ESG issues are enshrined at the top level in our Constitution, our member-owned structure, and in our focus on retail banking, all of which establish legal obligations and rights for the Board and Management. As a retail bank, we mainly lend our customers money sourced from other customers who have invested in our bank; this enshrines our commitment to be a responsible lender, because we are member-owned. Our Mission Statement obliges us to 'operate in an ethically, socially and environmentally responsible manner'. Our specific ESG focus is the RIAA certification.
6. Maintain RIAA certification as an Ethical Bank[3]	Teachers Mutual Bank Limited wholesale market ethical bond issuance reached A$200 million. Teachers Mutual Bank Limited's $500m Debt Issuance Program (DIP) for wholesale investors is a Certified Ethical Investment by the RIAA. Certification started in June 2015 for the first two-year period and was extended for a further two years, from June 2017 to June 2019. Under the revised RIAA rules for the second period, Teachers Mutual Bank Limited is a provider of a Certified Ethical Investment product for wholesale investors. We are the first bank in Australia to have a Certified Ethical Investment wholesale cash product, and it is the first that is based on fossil fuel lending and investing exclusion.
7. Public disclosure of our investment policy on climate change and fossil fuels	Our position on climate change is published on our website. Teachers Mutual Bank Limited has zero direct investment in any large-scale greenhouse gas polluting activity or company. Teachers Mutual Bank Limited does not use members' funds to finance large-scale greenhouse gas polluting activities. We do not use members' deposits to directly lend to, or buy equity or debt in, any large-scale greenhouse gas polluting activities from fossil fuel exploration, extraction, production or use.
8. Implement a national Stakeholder Strategy utilising our Stakeholder Engagement Standard	As part of our national strategy for improved engagement, we broadened stakeholder engagement to include UniBank and Firefighters Mutual Bank, and increased the number of key stakeholder records in our national database by 23% from 381 to 468, reflecting an increase in active engagement.
9. Mandate and embed sustainability in our supply chain Vendor Management Framework (VFM)	The Vendor Governance Policy and Committee were approved in early 2017. All material, strategic and major suppliers are required to complete a comprehensive CSR Survey, and all contracts are to include clauses on CSR. CSR is one of the six standard health checks, which operates as a traffic light system. The process focused on the top 100 vendors that represented 90% of our total vendor spend.

10. Increase the purchase of more sustainable products and services	Our green technology focus over the least two years has been a major $450,000 investment in 612 solar panels and 1,826 LED lights, installed in all of our four owned buildings.
11. Roll out mandatory sustainability training for all employees	A CSR module has been developed and is embedded in our mandatory training program for all staff.
12. All staff at Grade 6 and above have sustainability KPIs	All staff at or above Grade 6 have Sustainability KPIs in their Performance Plans. This includes all Managers, Senior Managers and Executives, who each have four CSR KPIs.
13. Promote a zero tolerance culture for corruption and fraud	No incidents of corruption or internal fraud were identified. To ensure our members' personal details and finances are safeguarded from fraud and scams, we do the following: invest in industry-leading security systems and monitoring tools; implement robust policies and procedures; hire specialised talent and conduct regular employee training; educate our members; and have dedicated security information pages on our websites.

[1] The Ethisphere Institute is a global leader in defining and advancing the standards of ethical business practice. The World's Most Ethical Company assessment is based upon the Ethisphere Institute's Ethics Quotient (EQ) framework and honours superior achievements in transparency, integrity, ethics and compliance. More information at: http://ethisphere.com. The 2016 and 2017 awards include UniBank. UniBank is a division of Teachers Mutual Bank Limited, a 2016 World's Most Ethical Company. [2] The LBG is the global standard for measuring and benchmarking corporate community investment. The LBG model provides a comprehensive and consistent set of measures to determine an organisation's contribution to the community, including cash, time, in-kind donations, and management costs. More information at www.lbg-australia.com. Data is based on the 2015-2016 financial year as LBG is measured after a full financial year data set is completed. [3] Teachers Mutual Bank Limited's $500m Debt Issuance Program has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details.

Members

Results on our targets

1. Achieve member satisfaction ratings at or above 90%[1]	93% of members responded that they are either 'very satisfied' or 'quite satisfied' with the overall service from Teachers Mutual Bank Limited. Based on the monthly Roy Morgan Research Consumer Banking Satisfaction Surveys, we consistently achieved a satisfaction score of 90% or higher during 2016-2017.
2. Improve CANSTAR Member Valuation[2]	We outperformed selected competitors, with member value of $33,541,802 generated on an annual equivalent basis. This equates to $197.10 value generated per member on an annual equivalent basis, a 9.6% increase on the previous year. The result highlights our competitive positioning relative to our selected competitor base. When the comparison is restricted to the four major banks, these values increase to $53,123,256 and $312.16 respectively.
3. Improve member retention rates	Teachers Mutual Bank Limited's member retention rate improved from 98.6% to 99.9%.
4. Adverse findings by external parties not to exceed 20% of disputes	This relates to the number of disputes with the Financial Ombudsman Service (FOS). There were no adverse findings.
5. Reduce the number of disputes lodged with external bodies each year	The number of disputes lodged with the Financial Ombudsman Service (FOS) down from 11 to 10.
6. All complaints responded to within one business day	We responded to 99.7% (4,946) of complaints (4,960) within one business day.
7. Achieve best practice with all complaints resolved within 14 days	We resolved 95.7% (4,747) of complaints within 14 days or less, with 97.2% (4,820) of complaints completed within 21 days or less.
8. No external loss of data that results in a major breach of policy	There has been no external loss of data that resulted in a major breach of policy or regulation.
9. Host member engagement events	We hosted 207 events for members, including lunch box presentations, mobile offices, investment seminars and dinners.
10. Visit members' workplaces	We visited 1,150 schools across NSW, WA, ACT and NT.
11. More than 90% of members to feel that they have adequate access to banking services[3]	95% of members rated access to any of Teachers Mutual Bank's services as 'very accessible' or 'quite accessible'.
12. More than 90% of members to feel that they have adequate access to information and assistance[3]	92% of members 'somewhat agreed' or 'strongly agreed' that they had adequate access to information or assistance with respect to any Teachers Mutual Bank services.
13. 100% of marketing campaigns to comply with responsible marketing guidelines	All marketing campaigns were developed in line with our responsible marketing guidelines, relevant laws, industry codes and regulatory guides.
14. Assist members in financial difficulty through the Credit Assistance Program	159 members were assisted through the Credit Assistance Program.

15. No breaches of responsible marketing guidelines that adversely affect members or customers or that result in adverse media or sanctions	There were no breaches of responsible marketing guidelines that adversely affected members or customers or that resulted in adverse media or sanctions.

[1] As measured by the 2017 Member Satisfaction Survey conducted by GALKAL. [2] Canstar is an independent financial services research group (www.canstar.com.au). The Member Valuation is a measurement of the return provided on the investment that the member's share represents. The valuation is commissioned by Teachers Mutual Bank. [3] As measured by the 2017 Member Satisfaction Survey conducted by GALKAL.

Community

Results on our targets

1. *Invest a minimum of 3% of net profits after tax (NPAT) in the community[1]*	In 2016-2017, Teachers Mutual Bank Limited's $2.4 million community investment represents 5.39% of pre-tax profits (NPBT), equal to7.98% of profits after tax (NPAT)[2]. It covers the full range of contributions (cash, time, in-kind donations and management costs) made to community causes.
2. *Provide financial support across the education sector via scholarships, sponsorships, grants, event support and professional development*	In 2016-2017, Teachers Mutual Bank Limited continued to provide financial support across the education sector. Major partnerships have included continued support of Bell Shakespeare's Regional Teacher Mentorship, our Future Teacher Scholarships, and other support programs noted in this report.
3. *Manage partnerships with State Education Departments*	We continue to work closely with the Departments of Education in the states in which we have a presence, to sponsor leading initiatives including: Schools Spectacular, the Premier's Teacher Scholarships and School Sport in New South Wales; Step into the Limelight in the Australian Capital Territory; Secondary School Leader of the Year award and the Education Excellence Awards in Western Australia; School of the Year Award, Excellence Awards and State School of the Year Award in Queensland. We introduced a scholarship for New South Wales Department Executives on personal development via the Public Education Foundation.
4. *Broaden collaboration and develop new partnerships in the non-government education sector*	We engaged with non-government education groups and departments including Catholic Education Offices in Parramatta, Wollongong, Broken Bay and Hunter, and the Independent Education Union to establish partnership agreements that opened up access and expanded awareness in this sector.
5. *Support the professional development of teachers, office and support staff at conferences, events and leadership development courses*	We sponsored 134 conferences and events across Queensland, South Australia, Tasmania, Australian Capital Territory, Western Australia and Northern Territory.
6. *Develop and implement a national sponsorship strategy and review current sponsorship guidelines*	The national sponsorship strategy was developed to better reflect Teachers Mutual Bank Limited's business objectives while continuing to support and add value to the education and emergency services sectors. The new national approach will look to develop a small number of large national sponsorships to complement a number of significant state-based sponsorships. This approach will assist Teachers Mutual Bank Limited to increase our impact and our value to our members and have greater input into the sectors where they are employed.
7. *Support NSW school children in need through Platinum Sponsorship of Stewart House*	We have increased our support for Stewart House with staff volunteering and fundraising, to assist children to stay for a 12-day respite where they are given medical treatment and emotional support at no cost to their parents or carers.
8. *Assist poverty alleviation in Asia Pacific through Platinum Sponsorship of CUFA*	Each year, Teachers Mutual Bank Limited's partnership with international aid agency CUFA each year changes the lives of 10,000 students via 200 teachers in 500 classroom lessons through the Children's Financial Literacy education project. Now in its second year, the partnership continues to improve the lives of thousands in rural Cambodia.
9. *Support Queensland teachers and students through the sponsorship of the Queensland Life Education program for drug and health education*	We donated $25,000 to assist in the delivery of school-based health and drug education programs in Queensland.
10. *Introduce an indigenous education scholarship*	The inaugural Premier's Teachers Mutual Bank Indigenous Education Scholarship, worth $15,000, aims to improve ways to embed indigenous education into the NSW curriculum and develop the skills of educators teaching in indigenous education.

[1] LBG is the global standard for measuring and benchmarking corporate community investment. The LBG model provides a comprehensive and consistent set of measures to determine an organisation's contribution to the community, including cash, time, in-kind donations, and management costs. www.lbg-australia.com. Data is based on the 2015-2016 financial year as LBG is measured after a full financial year data set is completed. [2] As measured by the LBG, the global standard for measuring and benchmarking corporate community investment.

Environment

Results on our targets

1. Measure and report energy emissions and solar panel performance annually	This is the first year that solar panels on all our owned buildings is generating electricity. Solar on our roofs generated 16.3% of total electricity consumption and saved 182 tonnes of CO^2. Per site, the solar contribution is Homebush (12%), Parramatta (19%), UniBank WA (58%), and Rooty Hill (19%). The data is not for a full year as the sites were completed towards the end of the 2016 calendar year.
2. Develop and implement an integrated reporting system for environmental and supply chain metrics	We commissioned an external consultancy to develop a single reporting template and dashboard for these metrics.
3. Achieve net zero emissions for all owned buildings	All of our four owned buildings acheived net zero emissions, based on electricity generated from solar, LED lights, energy savings, and carbon offsets.
4. Investigate battery storage opportunities for commercial use	We reviewed options from AGL and Tesla. At this stage, our solar exporting amount is too low to warrant use of batteries.
5. Reduce electricity use by 28% in all owned buildings, from 2014 to 2017	Underlying greenhouse gas emissions from our owned buildings reduced by 32.6% from 2014 to 2017 and reduced 14.7% in the 12 months to the end of this financial year.
6. All new building leases to have minimum 3.5 star on the National Australian Built Environment Rating System (NABERS)	We have not leased any new buildings in 2016-2017.
7. Mandatory installation of solar panels and LEDs for all new owned buildings	We bought one new building in Brisbane in March 2017, and this is contracted to have solar panels and LED installed.
8. All new cars purchased for our fleet to achieve at least a three-star rating in the Green Vehicle Guide	The Federal Government's Green Vehicle rating system remains under review. In the absense of new guidelines, we continue to meet our original target of 3.5 Star rating.
9. Engage and train employees on recycling	Staff at the three new offices in Perth, Sydney and Brisbane have been trained and brought into single recycling system.
10. Streamline waste and recycling processes and roll out to all offices	We have consolidated and streamlined our waste processes across Teachers Mutual Bank Limited offices, ensuring that we are encouraging sustainable practices across our business.
11. Reduce paper use per member	We reduced paper consumption by 19% from the previous year. 53% of members are now registered for online statements.
12. 100% of paper purchased to be from a certified sustainable source	100% of the paper we use in offices and for members is certified FSC (21%) or PEFC (79%). 50% of all paper is also certified Carbon Neutral under the NCOS Standard. Recycling 36.5 tonnes of paper and cardboard is calculated to have saved 475 trees.
13. Implement new water saving initiatives	We upgraded the airconditioning and installed water saving taps on all 50 taps at Homebush, Parramatta and Rooty Hill offices. This is planned to be rolled out to other offices. Water consumption has increased, so further measures are required.
14. Maintain carbon neutral status so that all member accounts are with a carbon neutral bank	This is the fifth year we are a carbon neutral bank. Our emissions from electricity and fuel use are offset to zero.

Employees

Results on our targets

1. 100% of frontline employees enrolled in/completed online complaints handling	100% of frontline employees enrolled in and completed online complaints handling.
2. Maintain employee engagement at or above 80%[1]	Our employee engagement rating was 81%.
3. Achieve employee engagement rating above the mutual banking sector industry standard[2]	Our employee engagement rating of 81% exceeds the average rating for the mutual banking sector. In November 2016, Teachers Mutual Bank Limited was named 'One of the top 10 Australasian Employee Engagement Companies of the Year' at the 2016 ANZ Employee Engagement Awards & Conference.
4. Minimum 85% of employees recommending Teachers Mutual Bank Limited as a good place to work	82% of staff recommend Teachers Mutual Bank Limited as a good place to work.
5. Maintain staff turnover at below industry average[3]	Staff turnover was 10.3%. The finance industry average is 15.2%, according to the Mercer HR benchmarking report.
6. All employees to complete annual performance reviews and development plans	All employees completed annual performance reviews, and all applicable employees completed annual development plans.
7. Continue to develop and implement policies and procedures that reflect best practice in employee relations	We have implemented a new and comprehensive WH&S Management System.
8. Zero tolerance to discrimination, harassment and bullying	We continue to maintain a culture that is free from harassment and workplace bullying through a comprehensive education program and zero tolerance policy.
9. Exceed the ASX average of the percentage of females in Board, executive and management positions	44% of our Board members are women. The ASX average is currently 23.6%.
10. Be recognised as an Employer of Choice by the Workplace Gender Equality Agency (WGEA)	Teachers Mutual Bank Limited received recognition as a 2016 Employer of Choice for Gender Equality by the WGEA, one of 106 companies named. This is the second year running that Teachers Mutual Bank Limited has been recognised as one of Australia's leading companies for championing gender equality among their workforce.
11. Continue to support employee volunteer days, sponsorship and donation requests associated with charitable initiatives	36 volunteer days were taken over the reporting period.
12. Continue to develop and implement diversity, anti-discrimination and flexible working guidelines for recruitment, training and promotion	We continued to work towards the recommendations and targets set out in our Gender Diversity Strategy.
13. Reduce the lost time incident rate (LTIR) (in days)	Our LTIR was 28 days. This was an increase on last year, though we only had one incident resulting in lost time compared to two in 2015-2016. This was a back injury which required significant recuperation time.
14. Maintain staff satisfaction with WH&S at or above 85%	Staff survey results show an 89% satisfaction rating for WH&S.
15. Make health, safety and wellbeing an integral part of each employee's role	We have a range of ongoing WH&S Committee programs and initiatives. WH&S training and education is mandatory for all staff, contractors and visitors to our organisation.

[1] Staff data is from the Teachers Mutual Bank Limited internal staff survey of 532 employees conducted in May 2017, with a response rate of 83%. [2] The 2016 ANZ Employee Engagement Awards & Conference in association with Reward Gateway (ee-awards.com) announced its 2016 Top 10 ANZ Employee Engagement Companies of the Year. [3] Mercer Human Resource Effectiveness Monitor 2015.

Directors' Report

The Board of Directors has responsibility for the overall management and strategic direction of Teachers Mutual Bank Limited.

All Board members are independent, non-executive directors and the majority are elected by members (our shareholders) on rotation every three years. We have three Board-appointed Directors. The Directors must satisfy the Fit and Proper criteria set down by APRA, and they must abide by our Code of Conduct which outlines their legal and ethical obligations. The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements. The Board conducts an annual review of its performance, along with reviews of individual directors, committees and the executive.

John Kouimanos (Chairperson)

BA, Dip Ed

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

Linda Green (Deputy Chairperson)

Dip Teach, B Ed (Primary Education), GAICD

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

Maree O'Halloran AM (Director)

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

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

Tyrone Carlin (Director)

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

Tyrone Carlin is Deputy Vice-Chancellor (Registrar) and Professor of Financial Regulation and Reporting at the University of Sydney. He has held a variety of prior senior academic appointments including Co-Dean of the University of Sydney Business School, Dean of Law at Macquarie University and Director of Academic Programs at Macquarie Graduate School of Management. Professor Carlin teaches in the areas of financial reporting and management, corporate acquisitions and reconstructions and corporate and commercial law, and has published more than 100 scholarly articles in his areas of expertise. He has been engaged as a consultant by a substantial number of leading corporations, professional services and Government organisations. He is a director of University Admissions

Centre, and the Urological Society of Australia and New Zealand. Professor Carlin is a member of the Audit Committee and Risk and Compliance Committee, Marketing and Member Relations Strategy, and Large Exposures Committees.

Jennifer Leete (Director)

BA, Dip Ed, GAICD

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

Michelene Collopy (Director)

B Ec, CA (FPS), FAICD

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

Emeritus Professor William Ford (Director)

Dip Teach, Grad Dip C Ed, GAICD

Professor Ford was a director of Unicredit from 1990 and Chair from 2004 until Unicredit's merger with Teachers Mutual Bank Limited in 2015. Professor Ford's experience includes Barrister and Solicitor of the Supreme Court of WA; Emeritus Professor of Law (UWA); Dean of the Law School, University of WA (2001-2011); former Chair of the Council of Australian Law Deans (2007-2011); former Committee Member (UWA Branch) of the NTEU, Secretary of the UWA Academic Staff Association and former National Vice-President (Academic) of the NTEU. He is a member of the Board Remuneration Committee.

Graeme Lockwood (Director)

Dip Teach, Grad Dip C.Ed, GAICD

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

Michael O'Neill (Director)

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

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

Company Secretaries

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

Steve James(Chief Executive Officer)

MBA, Dip AICD, Adv Acc Cert, GAICD

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

Brad Hedgman (Deputy Chief Executive)

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

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

Directors' board meetings

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

Attended by:	A	B
John Kouimanos	13	13
Linda Green	12	13
Tyrone Carlin	13	13
Michelene Collopy	13	13
William Ford	13	13
Jennifer Leete	12	13
Graeme Lockwood	*12	13
Maree O'Halloran	13	13
Michael O'Neill	13	13
Total meetings		**13**

*A Number of meetings attended. B Number of meetings entitled to attend. *Director Lockwood was unable to join the meeting by Skype due to technical difficulties on the day. Note: A leave of absence was granted where Directors were unable to attend a Board of Directors meeting.*

Committees of Directors' meetings

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

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

*A Number of meetings attended. B Number of meetings entitled to attend. *Marketing includes Member Relations Strategy. Note: A leave of absence was granted where a Director was unable to attend any of the above meetings.*

Directors' benefits

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

Indemnifying officers or auditors

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

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

Financial performance disclosures

Principal activities

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

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

Operating results

The net profit of the consolidated Group for the year after providing for income tax was $27.6 million (FY2016: $30.3 million).

Dividends

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

Review of operations

The Group accepted a transfer of business from Fire Brigades Employees Credit Union effective 1 November 2016. This business was rebranded as Firefighters Mutual Bank and will continue to focus on the emergency services sector. The results provided include the results of the Parent's operations from its activities of providing financial services, which did not change significantly from those of the previous year and the results of the subsidiary's operations from its activities of providing travel services.

Significant changes in state of affairs

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

Events occurring after the balance date

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

Likely developments and results

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

i. the operations of the Group;

ii. the results of those operations; or

iii. the state of affairs of the Group

in the financial years subsequent to this financial year.

Auditors' independence

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

Rounding

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos
Chairman

Michelene Collopy
Chairperson of the Audit Committee

Signed and dated
28 August 2017

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera

M Mattera
Partner - Audit & Assurance

Sydney, 25 August 2017

Financial Statements

Notes to the Financial Statements

Statement of comprehensive income

For the year ended 30 June 2017

	Note(s)	2017 $'000		2016 $'000	
		Consolidated	Parent	Consolidated	Parent
Interest revenue	2a	247,841	247,841	236,910	236,910
Interest expense	2c	(115,243)	(115,270)	(113,481)	(113,489)
Net interest income		**132,598**	**132,571**	**123,429**	**123,421**
Fee, commission and other income	2b	35,411	22,762	37,772	21,849
Total revenue		**168,009**	**155,333**	**161,201**	**145,270**
Less: Non-interest expenses					
- Impairment losses on loans and advances	2d	(2,498)	(2,498)	(2,337)	(2,337)
General administration	2e				
- Employees, compensation and benefits		(62,168)	(60,960)	(54,676)	(53,592)
- Depreciation and amortisation		(6,321)	(6,318)	(6,264)	(6,257)
- Transaction expenses		(12,643)	(12,643)	(12,100)	(12,100)
- Information technology		(11,795)	(11,763)	(9,988)	(9,956)
- Office occupancy		(3,375)	(3,375)	(3,071)	(3,071)
- Travel cost of sales		(11,619)	-	(14,548)	-
- Other administration		(18,013)	(17,833)	(15,016)	(14,842)
Total general administration		**(125,934)**	**(112,892)**	**(115,663)**	**(99,818)**
Total non-interest expenses		**(128,432)**	**(115,390)**	**(118,000)**	**(102,155)**
Profit before income tax		**39,577**	**39,943**	**43,201**	**43,115**
Income tax expense	3	(11,955)	(12,065)	(12,930)	(12,903)
Profit after income tax		**27,622**	**27,878**	**30,271**	**30,212**
Other comprehensive income					
Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	21	8,543	8,543	(2,984)	(2,984)
Non-operating income received on transfer of engagement					
FBECU (2016: Unicredit)		18,706	18,706	13,734	13,734
Total comprehensive income		**54,871**	**55,127**	**41,021**	**40,962**

Statement of changes in member equity

For the year ended 30 June 2017

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total members' equity $'000
CONSOLIDATED					
Balance as at 1 July 2015	588	9,472	(6,621)	392,979	396,418
Total comprehensive income for the year – as reported	-	-	(2,984)	30,271	27,287
Subtotal	588	9,472	(9,605)	423,250	423,705
Receipts from transfer of business	-	-	-	14,322	14,322
Transfers to (from) reserves	38	422	-	(396)	64
Total at 30 June 2016	**626**	**9,894**	**(9,605)**	**437,176**	**438,091**
CONSOLIDATED					
Balance as at 1 July 2016	626	9,894	(9,605)	437,176	438,091
Total comprehensive income for the year – as reported	-	-	8,543	27,622	36,165
Subtotal	626	9,894	(1,062)	464,798	474,256
Receipts from transfer of business	35	441	-	18,230	18,706
Transfers to (from) reserves	37	2,672	-	(2,709)	-
Total at 30 June 2017	**698**	**13,007**	**(1,062)**	**480,319**	**492,962**

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total members' equity $'000
PARENT					
Balance as at 1 July 2015	588	9,472	(6,621)	392,698	396,137
Total comprehensive income for the year – as reported	-	-	(2,984)	30,212	27,228
Subtotal	588	9,472	(9,605)	422,910	423,365
Receipts from transfer of business	-	-	-	13,734	13,734
Transfers to (from) reserves	38	422	-	(460)	-
Total at 30 June 2016	**626**	**9,894**	**(9,605)**	**436,184**	**437,099**
PARENT					
Balance as at 1 July 2016	626	9,894	(9,605)	436,184	437,099
Total comprehensive income for the year – as reported	-	-	8,543	27,878	36,421
Subtotal	626	9,894	(1,062)	464,062	473,520
Receipts from transfer of business	35	441	-	18,230	18,706
Transfers to (from) reserves	37	2,672	-	(2,709)	-
Total at 30 June 2017	**698**	**13,007**	**(1,062)**	**479,583**	**492,226**

Statement of financial position

For the year ended 30 June 2017

	Note(s)	2017 $'000		2016 $'000	
		Consolidated	Parent	Consolidated	Parent
ASSETS					
Cash on hand and deposits at call		146,758	146,758	173,437	173,437
Receivables from financial institutions	4	984,279	984,279	708,931	708,931
Derivative assets held for hedging purposes	5	1,338	1,338	5	5
Receivables	6	12,085	11,579	12,889	12,334
Prepayments		4,317	4,315	3,156	3,148
Loans and advances to members	7 & 8	5,480,497	5,480,497	4,595,615	4,595,615
Available for sale investments	9	5,145	5,145	4,737	4,737
Investments in controlled entities	10	-	147	-	147
Property, plant and equipment	11	34,157	34,154	30,856	30,850
Taxation assets	12	8,723	8,557	7,647	7,566
Intangible assets	13	5,244	5,244	5,739	5,739
Total assets		**6,682,543**	**6,682,013**	**5,543,012**	**5,542,509**
LIABILITIES					
Borrowings		-	-	-	-
Wholesale sector funding	14	680,261	680,261	419,642	419,642
Retail deposits	15	5,479,060	5,479,874	4,635,571	4,636,734
Derivative liabilities	5	2,645	2,645	10,088	10,088
Creditors accruals and settlement accounts	16	9,794	9,349	23,467	22,958
Taxation liabilities	17	996	996	1,206	1,212
Provisions	18	16,825	16,662	14,947	14,776
Total liabilities		**6,189,581**	**6,189,787**	**5,104,921**	**5,105,410**
Net assets		**492,962**	**492,226**	**438,091**	**437,099**
MEMBERS' EQUITY					
Capital reserve account	19	698	698	626	626
General reserve for credit losses	20	13,007	13,007	9,894	9,894
Cash flow hedge reserve	21	(1,062)	(1,062)	(9,605)	(9,605)
Retained earnings		480,319	479,583	437,176	436,184
Total members' equity		**492,962**	**492,226**	**438,091**	**437,099**

Statement of cash flows

For the year ended 30 June 2017

	Note(s)	2017 $'000		2016 $'000	
		Consolidated	Parent	Consolidated	Parent
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		248,173	248,173	236,610	236,610
Fees and commissions		32,672	18,834	35,184	19,261
Dividends received		695	695	671	671
Other non-interest income received		248	1,437	1,462	1,417
Interest paid on deposits		(111,438)	(111,465)	(113,842)	(113,832)
Borrowing costs		(31)	(31)	(14)	(14)
Expenses paid to suppliers and staff		(119,475)	(106,434)	(108,507)	(92,674)
Income tax paid		(12,965)	(12,996)	(13,190)	(13,177)
Net increase in loans and advances to members		(772,056)	(772,056)	(369,600)	(369,600)
Net increase in retail deposits		633,176	632,842	391,435	391,548
Net cash flows from operating activities	**35b**	**(101,001)**	**(101,001)**	**60,209**	**60,210**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(7,044)	(7,044)	(3,675)	(3,676)
Acquisition of intangible assets		(1,691)	(1,691)	(3,013)	(3,013)
Sale of property, plant and equipment		159	159	217	217
Sale of other investments		92	92	-	-
Increase (decrease) in deposits with other financial institutions		(206,639)	(206,639)	(37,841)	(37,841)
Net cash received on transfer of engagement		30,615	30,615	12,976	12,976
Net cash flows used in investing activities		**(184,508)**	**(184,508)**	**(31,336)**	**(31,337)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		258,830	258,830	60,707	60,707
Net cash flows from (used in) financing activities		**258,830**	**258,830**	**60,707**	**60,707**
CASH HELD					
Net increase (decrease) in cash held		(26,679)	(26,679)	89,580	89,580
Add opening cash brought forward		173,437	173,437	83,857	83,857
Closing cash carried forward	**35a**	**146,758**	**146,758**	**173,437**	**173,437**

Notes to the financial statements

1. Statement of accounting policies

This financial report is prepared for Teachers Mutual Bank Limited (the Parent) and its controlled entities Q.T. Travel Pty. Ltd, Tertiary Travel Service Pty Ltd and Edsec Funding Trust No. 1 for the year ended 30 June 2017 (all entities including the Parent, the Group). The report was authorised for issue on 28 August 2017, in accordance with a resolution of the Board of Directors (the Board).

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

a. Basis of consolidation

The Group financial statements consolidate those of the Parent and all of its subsidiaries as of 30 June 2017. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June 2017.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests, based on their respective ownership interests.

b. Basis of measurement

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

c. Loans to members

Basis of recognition

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

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

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

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

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

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

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

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

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

Interest earned

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

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

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

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

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

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

Loan origination fees

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

Transaction costs

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

Broker commissions

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

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

Fees on loans

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

The REPO securitisation trust consolidation

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

Accordingly:

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

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

The Group presents a set of financial statements representing:

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

d. Loan impairment

Specific provision

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

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

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

General reserve for credit losses

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

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

e. Bad debts written off

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

f. Property, plant and equipment

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

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

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

g. Intangible assets

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

h. Cash and cash equivalents

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

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

i. Receivables from financial institutions

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

j. Derivative financial instruments

Interest rate swaps

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

Hedge accounting

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

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

Cash flow hedges

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

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

k. Equity investments and other securities

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

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

l. Investment in controlled entities

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

m. Retail deposits

Basis for determination

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

Interest payable

Savings

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

Fixed term deposits

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

n. Wholesale sector funding

Basis for determination

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

Interest payable

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

o. Borrowings

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

p. Provision for employee benefits

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

q. Leasehold on premises

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

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

r. Income tax

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

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

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

s. Goods and services tax (GST)

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

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

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

t. Business Combinations

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

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

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

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

u. Impairment of assets

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

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

v. Accounting estimates and judgments

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

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

w. Assets measured at fair value

Assets measured at fair value have been classified according to the following hierarchy;

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

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

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

x. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 30 June 2017. The Group's assessment of the impact of these new standards and interpretations is set out below.

Emerging standards

AASB reference	Nature of change	Application date	Impact on initial application
AASB 9 Financial Instruments (December 2014)	The new standard replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2009 and December 2010. It amends the requirements for classification and measurement of financial assets. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, the revised AASB 9 introduces a new impairment model based on expected credit losses. Recognition of credit losses are no longer dependent on the Group first identifying a credit loss event. The Group will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Beginning on or after 1 January 2018	The Group has carried out a preliminary assessment of the impact of the new standard. The classification and measurement of financial assets is expected to remain largely unchanged. Changes in the fair value of available for sale assets will be reclassified as other comprehensive income rather than fair value profit and loss. The requirements for general hedge accounting have been simplified for hedge effectiveness testing and are not expected to materially impact the Group based on its existing interest rate swap contracts. The new expected loss impairment model will require more timely recognition of expected credit losses. The overall impact of applying AASB 9 has not yet been determined by the Group. Adjustments during the transition period will be recognised either in opening retained earnings or the general reserve for credit losses.
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and related revenue interpretations.	Beginning on or after 1 January 2018	Based upon a preliminary assessment, AASB 15 is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Group's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. Few revenue transactions of the Group are impacted by the new standard.
AASB 16 Leases (replaces AASB 117)	AASB 16 replaces AASB 117 Leases and some lease-related interpretations. It requires all leases, other than short-term and low value asset leases, to be accounted for 'on-balance sheet' by lessees. It also provides new guidance on the application of the definition of lease and on sale and lease back accounting as well as new and different disclosures about leases.	Beginning on or after 1 January 2019	The Group is yet to undertake a detailed assessment of the impact of AASB 16. The Group's preliminary assessment is that the Standard will not have a material impact on transactions and balances recognised when first adopted for the year ending 30 June 2020.

2. Income statement

a. Analysis of interest revenue

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST REVENUE				
Cash – deposits at call	2,703	2,703	3,320	3,320
Receivables from financial institution deposits	20,516	20,516	19,366	19,366
Loans and advances to members	224,456	224,456	214,148	214,148
Derivatives interest income	114	114	76	76
Other	52	52	-	-
Total interest revenue	**247,841**	**247,841**	**236,910**	**236,910**

b. Non-interest revenue

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
FEE AND COMMISSION REVENUE				
Loan fee income – other than loan origination fees	3,278	3,278	3,283	3,283
Other fee income	4,440	4,440	4,565	4,565
Insurance commissions	4,841	4,841	4,274	4,274
Other commissions	6,682	6,682	6,275	6,275
Total fee and commission revenue	**19,241**	**19,241**	**18,397**	**18,397**

OTHER INCOME	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Dividends received on available for sale assets	695	695	671	671
Bad debts recovered	1,153	1,153	1,102	1,102
Gain on disposal of assets:				
- Property, plant and equipment	159	159	217	217
- Investments	77	77	-	-
Transfers from provisions:				
- Impairment losses on loans and advances	23	23	-	-
- Sick Leave	5	5	37	37
- Director development	20	20	-	-
- Land tax	200	200	-	-
Travel income from sales	12,781	-	15,981	-
Miscellaneous revenue	1,057	1,189	1,367	1,425
Total non-interest revenue	**35,411**	**22,762**	**37,772**	**21,849**

c. Interest expenses

INTEREST EXPENSES	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Overdraft	11	11	14	14
Short term borrowing	20	20	-	-
Wholesale sector funding	11,921	11,921	10,672	10,672
Wholesale deposits	1,593	1,593	42	42
Retail deposits	95,732	95,759	98,503	98,511
Derivatives interest expense	5,966	5,966	4,246	4,246
Other	-	-	4	4
Total interest expenses	**115,243**	**115,270**	**113,481**	**113,489**

d. Impairment losses

LOANS AND ADVANCES CARRIED AT AMORTISED COST	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Increase in provision for impairment	-	-	126	126
Bad debts written off directly against profit	2,498	2,498	2,211	2,211
Total impairment losses	**2,498**	**2,498**	**2,337**	**2,337**

e. Prescribed expense disclosures

EMPLOYEE COSTS INCLUDE	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Personnel costs	55,488	54,371	48,797	47,799
Superannuation contributions	4,639	4,548	4,224	4,138
Net movement in provisions for employee annual leave	714	714	278	278
Net movement in provisions for employee long service leave	1,327	1,327	1,377	1,377
Subtotal	**62,168**	**60,960**	**54,676**	**53,592**

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	673	673	663	663
Plant and equipment	3,107	3,104	3,111	3,104
Leasehold improvements (including lease make good provisions)	136	136	82	82
Written down value of assets disposed	218	218	357	357
Intangible assets – computer software	2,187	2,187	2,051	2,051
Subtotal	**6,321**	**6,318**	**6,264**	**6,257**
AUDITOR'S REMUNERATION (EXCLUDING GST)				
Audit and review of financial statements:				
- Audit services – Grant Thornton	186	171	180	166
Other services:				
- Compliance	6	6	2	2
- Other	5	5	16	16
Subtotal	**197**	**182**	**198**	**184**
OTHER OPERATING EXPENSES				
Transaction expenses	12,643	12,643	12,100	12,100
Information technology	11,795	11,763	9,988	9,956
Office occupancy	3,375	3,375	3,071	3,071
Net movement on provision for director development	-	-	5	5
Research, marketing, sponsorships and events	5,977	5,982	5,114	5,119
Professional fees	1,701	1,701	1,177	1,177
Travel cost of sales	11,619	-	14,548	-
Other administration	10,138	9,968	8,522	8,357
Subtotal	**57,248**	**45,432**	**54,525**	**39,785**
Total general administration	**125,934**	**112,892**	**115,663**	**99,818**

3. Income tax expense

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

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Provision for income tax – current year	12,468	12,468	13,464	13,434
Under (over) provision in prior years	203	203	74	74
Decrease (increase) in the deferred tax asset	(716)	(606)	(608)	(605)
Income tax expense attributable to profit	**11,955**	**12,065**	**12,930**	**12,903**

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

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit	**39,577**	**39,943**	**43,201**	**43,115**
Prima facie tax payable on profit before income tax at 30%	11,873	11,983	12,960	12,935
Add: Tax effect of expenses not deductible	91	91	72	72
Less: Tax effect of income not assessable	(3)	(3)	(1)	(1)
Subtotal	**11,961**	**12,071**	**13,031**	**13,006**
Add: Adjustments to recognise deferred tax assets	715	605	634	629
Less: Franking rebate	(208)	(208)	(201)	(201)
Current income tax provision attributable to profit	**12,468**	**12,468**	**13,464**	**13,434**

c. Franking credits

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	181,028	180,652	167,935	167,559

4. Receivables from financial institutions

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit	489,621	489,621	403,611	403,611
Term deposits	1,000	1,000	-	-
Floating rate notes	441,839	441,839	276,580	276,580
Other	51,819	51,819	28,740	28,740
Total receivables from financial institutions	**984,279**	**984,279**	**708,931**	**708,931**

5. Derivative financial instruments

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

Derivatives designated as cash flow hedges

	2017 $'000 Parent & Consolidated		2016 $'000 Parent & Consolidated	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	1,338	2,645	5	10,088

Net movement on derivatives during the year

	2017 $'000 Parent & Consolidated	2016 $'000 Parent & Consolidated
Recognised in interest income	232	6
Recognised to other comprehensive income	8,543	(2,984)
Total	**8,775**	**(2,978)**

Notional principal amounts and period of expiry of interest rate swap contracts

	2017 $'000 Parent & Consolidated			2016 $'000 Parent & Consolidated		
	Pay Fixed	**Receive Fixed**	**Notional Amount**	**Pay Fixed**	**Receive Fixed**	**Notional Amount**
Within 1 year	262,000	-	262,000	296,700	-	296,700
>1 to 2 years	261,200	-	261,200	262,000	-	262,000
>2 to 3 years	210,600	-	210,600	258,200	-	258,200
>3 to 4 years	50,400	-	50,400	36,600	-	36,600
>4 to 5 years	16,000	-	16,000	48,400	-	48,400
>5 years	-	-	-	-	-	-
Total	**800,200**	**-**	**800,200**	**901,900**	**-**	**901,900**

6. Receivables

	2017 $'000		2016 $'000	
	Consolidated	**Parent**	**Consolidated**	**Parent**
Interest receivable on deposits with other financial institutions	4,165	4,165	3,992	3,992
Sundry debtors and settlement accounts	7,920	7,414	8,897	8,342
Total receivables	**12,085**	**11,579**	**12,889**	**12,334**

7. Loans and advances

a. Amount due

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Overdrafts and credit cards	100,284	100,284	100,442	100,442
Term loans	5,376,365	5,376,365	4,494,509	4,494,509
Overdrawn savings	122	122	115	115
Subtotal	**5,476,771**	**5,476,771**	**4,595,066**	**4,595,066**
Add: Amortised loan origination transaction costs and broker commission, net of fees	5,742	5,742	2,588	2,588
Subtotal	**5,482,513**	**5,482,513**	**4,597,654**	**4,597,654**
Less: Provision for impaired loans as detailed in Note 8	(2,016)	(2,016)	(2,039)	(2,039)
Total loans and advances to members	**5,480,497**	**5,480,497**	**4,595,615**	**4,595,615**

b. Credit quality – security held against loans

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Secured by mortgage over real estate	5,243,615	5,243,615	4,346,776	4,346,776
Partly secured by goods mortgage	13,545	13,545	17,016	17,016
Wholly unsecured	219,611	219,611	231,274	231,274
Total	**5,476,771**	**5,476,771**	**4,595,066**	**4,595,066**

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

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:				
- Loan to valuation ratio of less than 80%	4,104,464	4,104,464	3,347,825	3,347,825
- Loan to valuation ratio of more than 80% but mortgage insured	873,529	873,529	787,999	787,999
- Loan to valuation ratio of more than 80% and not mortgage insured	265,622	265,622	210,952	210,952
Total	**5,243,615**	**5,243,615**	**4,346,776**	**4,346,776**

c. Concentration of loans

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

i) There are no members who individually or collectively have loans, representing 10% or more of members' equity.

ii) Details of classes of loans, which represent in aggregate, 10% or more of members' equity, are set out below.

	2017 $'000	2016 $'000
	Parent & Consolidated	Parent & Consolidated
BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:		
NSW Department of Education	1,654,261	1,598,585
State Super Financial Services	159,077	143,795
WA Department of Education	116,505	108,988
ACT Department of Treasury	104,488	92,785
Catholic Education Office	78,784	64,676
Teachers Mutual Bank Limited employees	60,427	58,548
NSW TAFE	57,817	58,847

NUMBER OF MEMBERSHIPS WITH LOANS WHO ARE RECEIVING PAYMENTS FROM:	2017 Number	2016 Number
NSW Department of Education	13,371	13,869
State Super Financial Services	4,050	3,702
NSW TAFE	580	314
ACT Department of Treasury	564	534
WA Department of Education	553	539
Catholic Education Office	474	449
Teachers Mutual Bank Limited employees	335	314

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

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

	2017 $'000 Parent & Consolidated				2016 $'000 Parent & Consolidated			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	4,060,187	818,614	34	4,878,835	3,532,585	786,521	49	4,319,155
Victoria	235,337	17,365	-	252,702	146,210	13,660	-	159,870
Queensland	303,598	24,740	-	328,338	182,476	20,171	-	202,647
South Australia	39,955	3,211	-	43,166	28,570	2,303	-	30,873
Western Australia	457,549	65,714	729	523,992	384,654	64,743	729	450,126
Tasmania	21,462	2,220	-	23,682	11,924	2,432	-	14,356
Northern Territory	18,498	3,635	-	22,133	18,243	3,841	-	22,084
Australian Capital Territory	250,163	29,804	-	279,967	196,774	31,294	-	228,068
Other	-	5,454	-	5,454	47	6,420	-	6,467
Total	**5,386,749**	**970,757**	**763**	**6,358,269**	**4,501,483**	**931,385**	**778**	**5,433,646**

d. Loans by Purpose

	2017 $'000 Parent & Consolidated	2016 $'000 Parent & Consolidated
Housing loans and facilities	5,386,749	4,501,483
Personal loans and facilities	970,757	931,385
Total - households	**6,357,506**	**5,432,868**
Business loans and facilities	763	778
Total	**6,358,269**	**5,433,646**

e. Securitised loans

Non-derecognised securitised loans.

	2017 $'000	2016 $'000
EdSec Funding Trust No.1	663,740	622,848

8. Provision on impaired loans

a. Total provision

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Collective provision	1,982	1,982	1,991	1,991
Individual specific provision	34	34	48	48
Total provision	**2,016**	**2,016**	**2,039**	**2,039**

b. Movement in provision for impairment

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	2,039	2,039	1,912	1,912
Add (deduct) - Transfers from (to) statement of comprehensive income	(23)	(23)	127	127
Closing balance	**2,016**	**2,016**	**2,039**	**2,039**

c. Impaired loans written off

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Amounts written off directly to expense	2,498	2,498	2,211	2,211
Total bad debts	**2,498**	**2,498**	**2,211**	**2,211**
Bad debts recovered in the period	1,153	1,153	1,102	1,102

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

In the note below:

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

	2017 $'000			2016 $'000		
	Parent & Consolidated			Parent & Consolidated		
LOANS TO MEMBERS	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
Housing	4,869,274	14,880	68	4,013,938	12,653	47
Personal	512,559	3,166	909	486,463	2,522	900
Credit card	71,072	1,872	858	70,437	1,884	906
RediCredit	23,228	277	180	22,889	326	185
Total – households	**5,476,133**	**20,195**	**2,015**	**4,593,727**	**17,385**	**2,038**
Business	638	1	1	1,339	1	1
Total	**5,476,771**	**20,196**	**2,016**	**4,595,066**	**17,386**	**2,039**

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

e. Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2017 $'000 Parent & Consolidated		2016 $'000 Parent & Consolidated	
	Carrying value	Provision	Carrying value	Provision
Less than 30 days	3,014	34	4,510	44
30 to less than 90 days in arrears	3,474	-	3,260	4
90 to less than 182 days in arrears	6,131	347	3,341	327
182 to less than 273 days in arrears	4,415	429	3,285	307
273 to less than 365 days in arrears	1,142	209	697	293
365 days and over in arrears	-	-	229	11
Overdrawn savings/overlimit facilities over 14 days	2,020	997	2064	1053
Total	**20,196**	**2,016**	**17,386**	**2,039**

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

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

Loans balances of $3.723 million are in arrears by at least 30 days and are not considered to be impaired as full recovery of both principal and interest is expected. It is not practicable to determine fair value of collateral at the balance date due to the variety and condition of assets.

	2017 $'000 Parent & Consolidated				2016 $'000 Parent & Consolidated			
	>1 to 2 months	>2 to 3 months	>6 to 9 months	Total	>1 to 2 months	>2 to 3 months	>6 to 9 months	Total
Housing	2,041	676	-	2,717	2,755	390	592	3,737
Personal	399	334	-	733	355	51	-	406
Credit card	179	43	-	222	195	20	-	215
RediCredit	48	3	-	51	68	2	-	70
Total	**2,667**	**1,056**	**-**	**3,723**	**3,373**	**463**	**592**	**4,428**

g. Key assumptions in determining the provision for impairment

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

9. Available for sale investments

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
SHARES IN UNLISTED COMPANIES, AT COST				
Cuscal Limited (Cuscal)	5,145	5,145	4,737	4,737
Total	**5,145**	**5,145**	**4,737**	**4,737**

Disclosures on shares valued with unobservable inputs

a. Cuscal Limited (Cuscal)

The shareholding in Cuscal is reported at cost. This company is an APRA Approved Deposit-taking Institution that supplies settlement, transaction processing, card, interchange and other services to organisations including mutual banks, credit unions and building societies. The volume of shares traded is low.

Management have used unobservable inputs to assess the fair value of these shares. Cuscal's financial reports disclose net tangible assets exceeding the value of shares on issue and the fair value of these shares is likely to exceed their cost. However a market value is not able to be readily determined. Dividend return in FY2017 was 8.5 cents per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value.

The Group does not intend to dispose of these shares.

10. Investment in controlled entities

SHARES IN SUBSIDIARY	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	-	47	-	47
Tertiary Travel Service Pty Ltd	-	100	-	100
Total investment in controlled entities	**-**	**147**	**-**	**147**

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

Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service

The shareholding in Diploma World Travel Service (Diploma Travel) is reported at cost. Diploma Travel provides travel services primarily to members of the Group and their families.

Tertiary Travel Service Pty Ltd

The shareholding in Tertiary Travel Service Pty Ltd (Tertiary Travel) is reported at cost. Tertiary Travel provides travel services to corporate and leisure clients.

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

NAME OF ENTITY	Equity Interest 2017	Equity Interest 2016	Investment 2017 $'000	Investment 2016 $'000
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	100%	100%	47	47
Tertiary Travel Service Pty Ltd	100%	100%	100	100

11. Property, plant and equipment

FIXED ASSETS	2017 $'000 Consolidated	2017 $'000 Parent	2016 $'000 Consolidated	2016 $'000 Parent
Land, at cost	**11,617**	**11,617**	**10,209**	**10,209**
Buildings, at cost	27,543	27,543	25,796	25,796
Less: Provision for depreciation	(14,871)	(14,871)	(14,202)	(14,202)
Net building	**12,672**	**12,672**	**11,594**	**11,594**
Total land and buildings	**24,289**	**24,289**	**21,803**	**21,803**
Plant and equipment, at cost	32,890	32,693	30,197	30,000
Less: Provision for depreciation	(23,395)	(23,201)	(21,246)	(21,055)
Total plant and equipment	**9,495**	**9,492**	**8,951**	**8,945**
Capitalised leasehold improvements, at cost	1,356	1,356	1,006	1,006
Less: Provision for amortisation	(983)	(983)	(904)	(904)
Total capitalised leasehold improvements	**373**	**373**	**102**	**102**
Total property, plant and equipment	**34,157**	**34,154**	**30,856**	**30,850**

Movement in asset balance during the year

CONSOLIDATED	Land	Building	Plant & equipment	Leasehold improvement	Total
			2017 $'000		
Opening balance	10,209	11,594	8,951	102	30,856
Additions	1,408	1,792	3,520	407	7,127
Transfer of business from merger	-	-	307	-	307
Less: Assets disposed	-	(42)	(175)	-	(217)
Less: Depreciation charge	-	(672)	(3,108)	(136)	(3,916)
Closing balance	**11,617**	**12,672**	**9,495**	**373**	**34,157**
			2016 $'000		
Opening balance	8,633	10,721	9,228	89	28,671
Additions	-	653	3,255	95	4,003
Transfer of business from merger	1,576	907	76	-	2,559
Less: Assets disposed	-	(25)	(498)	-	(523)
Less: Depreciation charge	-	(662)	(3,110)	(82)	(3,854)
Closing balance	**10,209**	**11,594**	**8,951**	**102**	**30,856**

PARENT	Land	Building	Plant & equipment	Leasehold improvement	Total
			2017 $'000		
Opening balance	10,209	11,594	8,945	102	30,850
Additions	1,408	1,792	3,520	407	7,127
Transfer of business from merger	-	-	307	-	307
Less: Assets disposed	-	(42)	(175)	-	(217)
Less: Depreciation charge	-	(672)	(3,105)	(136)	(3,913)
Closing balance	**11,617**	**12,672**	**9,492**	**373**	**34,154**
			2016 $'000		
Opening balance	8,633	10,721	9,225	89	28,668
Additions	-	653	3,251	95	3,999
Transfer of business from merger	1,576	907	70	-	2,553
Less: Assets disposed	-	(25)	(498)	-	(523)
Less: Depreciation charge		(662)	(3,103)	(82)	(3,847)
Closing balance	**10,209**	**11,594**	**8,945**	**102**	**30,850**

12. Taxation assets

	2017 $'000		2016 $'000	
DEFERRED TAX ASSETS	**Consolidated**	**Parent**	**Consolidated**	**Parent**
Accrued expenses not deductible until incurred	217	214	172	169
Provisions for impairment on loans	645	645	645	645
Provisions for employee benefits	5,008	4,960	4,354	4,302
Provisions for other liabilities	1,807	1,807	1,919	1,895
Depreciation on fixed assets	332	331	277	276
Tax losses	113	-	-	-
Amortisation of intangible assets	83	83	12	12
Deferred tax assets	8,205	8,040	7,379	7,299

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER TAX ASSETS				
GST	307	306	120	119
Land tax	211	211	148	148
Total taxation assets	**8,723**	**8,557**	**7,647**	**7,566**

13. Intangible assets

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Computer software, at cost	18,332	18,284	16,660	16,612
Less: Provision for amortisation	(13,088)	(13,040)	(10,921)	(10,873)
Total intangible assets	**5,244**	**5,244**	**5,739**	**5,739**

Movement in balances during the year

Opening balance	5,739	5,739	4,859	4,859
Additions	1,692	1,692	3,012	3,012
Less: Amortisation charge	(2,187)	(2,187)	(2,051)	(2,051)
Less: Assets disposed	-	-	(81)	(81)
Closing balance	**5,244**	**5,244**	**5,739**	**5,739**

14. Wholesale sector funding

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit issued	328,739	328,739	339,455	339,455
Floating rate notes issued	270,707	270,707	70,146	70,146
Wholesale deposits	80,815	80,815	10,041	10,041
Total wholesale sector funding	**680,261**	**680,261**	**419,642**	**419,642**

15. Retail deposits

a. Retail deposits

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
At call	2,778,961	2,779,775	2,453,559	2,454,722
Term	2,698,185	2,698,185	2,180,238	2,180,238
Member withdrawable shares	1,914	1,914	1,774	1,774
Total retail deposits	**5,479,060**	**5,479,874**	**4,635,571**	**4,636,734**

b. Concentration of liabilities

i) There are no depositors who individually or collectively have deposits which represent 10% or more of total liabilities.

ii) Details of classes of deposits which represent in aggregate 10% or more of total liabilities are set out below.

BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM	2017 $'000	2016 $'000
State Super Financial Services	1,435,930	1,250,942
NSW Department of Education	635,516	632,841

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM	2017 Number	2016 Number
State Super Financial Services	15,789	14,472
NSW Department of Education	28,771	30,207

iii) Geographical concentrations are as follows:

GEOGRAPHICAL CONCENTRATIONS	2017 $'000	2016 $'000
New South Wales	4,782,144	4,100,612
Victoria	82,684	55,395
Queensland	112,549	77,352
South Australia	14,781	11,841
Western Australia	278,039	218,484
Tasmania	15,891	14,022
Northern Territory	8,975	7,044
Australian Capital Territory	112,174	89,226
Other	70,723	60,984
Total	**5,477,960**	**4,634,960**

16. Creditors, accruals and settlement accounts

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Creditors and accruals	5,178	4,733	4,742	4,233
Unearned income	1,064	1,064	1,258	1,258
Settlement accounts	3,552	3,552	17,467	17,467
Total creditors, accruals and settlement accounts	**9,794**	**9,349**	**23,467**	**22,958**

17. Taxation liabilities

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Current income tax liability	404	404	734	740
Other tax liabilities	592	592	472	472
Total taxation liabilities	**996**	**996**	**1,206**	**1,212**
CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance, previous year	734	740	513	428
Less: Paid	(937)	(943)	(587)	(502)
Over (under) statement in prior year	**(203)**	**(203)**	**(74)**	**(74)**

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Liability for income tax in current year	12,468	12,468	13,464	13,434
Less: Instalments paid in current year	(12,081)	(12,064)	(12,693)	(12,657)
Payable (refund) for prior year	17	-	(37)	(37)
Current income tax liability	**404**	**404**	**734**	**740**

18. Provisions

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Employee entitlements	16,394	16,231	14,367	14,196
Lease make good of premises	235	235	163	163
Director development	196	196	217	217
Other provisions	-	-	200	200
Total provisions	**16,825**	**16,662**	**14,947**	**14,776**

	2017 $'000		2016 $'000	
MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISION	Consolidated	Parent	Consolidated	Parent
Opening balance	14,367	14,196	12,654	12,579
Less: Paid	(5,153)	(5,057)	(4,552)	(4,470)
Liability increase (decrease)	7,180	7,092	6,265	6,087
Closing balance	**16,394**	**16,231**	**14,367**	**14,196**

	2017 $'000		2016 $'000	
MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISIONS	Consolidated	Parent	Consolidated	Parent
Opening balance	163	163	83	83
Liability increase	72	72	80	80
Closing balance	**235**	**235**	**163**	**163**

	2017 $'000		2016 $'000	
MOVEMENT IN DIRECTOR DEVELOPMENT PROVISION	Consolidated	Parent	Consolidated	Parent
Opening balance	217	217	212	212
Less: Paid	(57)	(57)	(27)	(27)
Liability increase	36	36	32	32
Closing balance	**196**	**196**	**217**	**217**

	2017 $'000		2016 $'000	
MOVEMENT IN OTHER PROVISIONS	Consolidated	Parent	Consolidated	Parent
Opening balance	200	200	-	-
Less: Paid	200	200	-	-
Liability increase	-	-	200	200
Closing balance	**-**	**-**	**200**	**200**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 1.605%-2.740% (FY2016: 1.550%-2.195%). The latest annual CPI rate available was used, from March 2017: 2.1% (March 2016: 1.3%).

Lease make good: The rates applied to give effect to the discount of cash flows were 1.605%-1.900% (FY2016: 1.550%-1.805%).

19. Capital reserve

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	626	626	588	588
Transfer from retained earnings on share redemptions	72	72	38	38
Total capital reserve	**698**	**698**	**626**	**626**

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

20. General reserve for credit losses

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	9,894	9,894	9,472	9,472
Increase (decrease) transfer from retained earnings	3,113	3,113	422	422
Total general reserve for credit losses	**13,007**	**13,007**	**9,894**	**9,894**

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

21. Cash flow hedge reserve

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	(9,605)	(9,605)	(6,621)	(6,621)
Increase (decrease) transfer from retained earnings	8,543	8,543	(2,984)	(2,984)
Total cash flow hedge reserve	**(1,062)**	**(1,062)**	**(9,605)**	**(9,605)**

Cash flow hedge reserve

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

22. Financial risk management objectives and policies

Overview

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

- Market risk
  - » Interest Rate Risk
  - » Equity investments
  - » Liquidity risk
- Credit risk
  - » Lending
  - » Investing
- Operational risk

Governance

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

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

The Audit Committee assists the Board by:

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

The Risk and Compliance Committee assists the Board by:

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

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

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

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

Market risk

Interest rate risk

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

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

Primary:

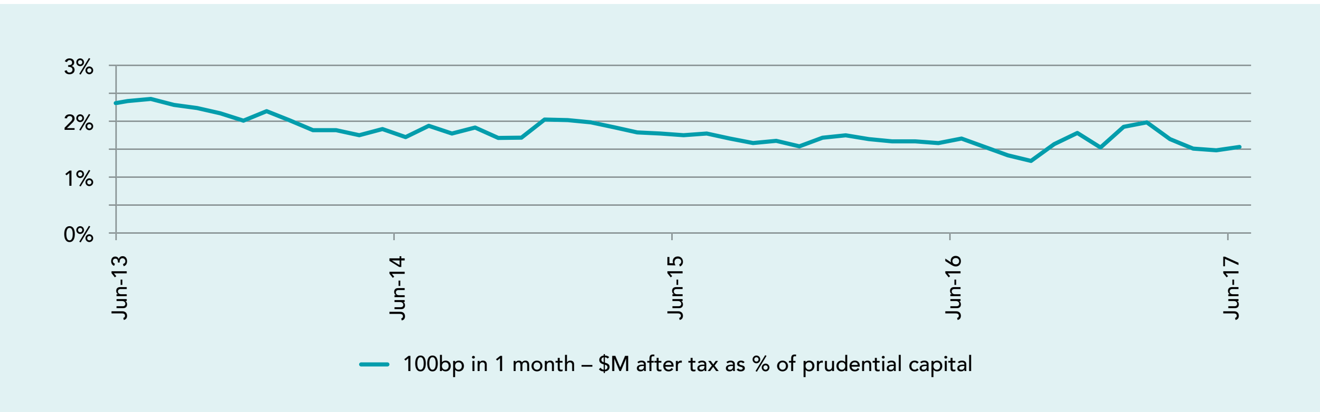
- Short, medium and long term forecasts that are regularly updated;
- Monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes; and
- Monthly earnings at risk simulations including projections based on flat rates, yield curve, and upward and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

Secondary:

- Monthly gap analysis;
- Monthly sensitivity analysis;
- Monthly value at risk analysis; and
- Annual benchmarking against industry.

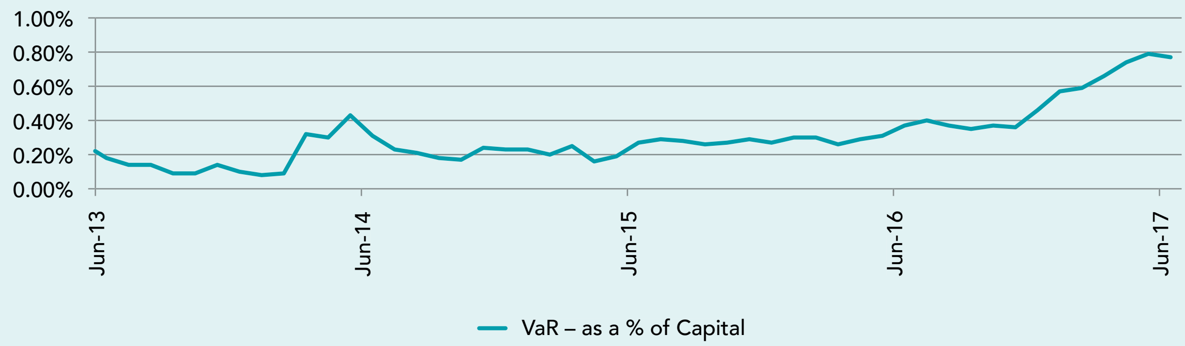
Earnings at risk (EaR) as a % of capital

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



Value at risk (VaR) as a % of capital

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



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

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

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

Market risk – equity investments

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

Liquidity risk

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

The Group manages liquidity risk by:

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

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

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

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

	2017	2016
Total adjusted liabilities	$6,764,288,066	$5,647,903,796
As at 30 June	15.94%	15.11%
Average for the year	14.89%	15.11%
Minimum during the year	13.37%	13.26%

Credit risk

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

Credit risk – lending

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

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

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

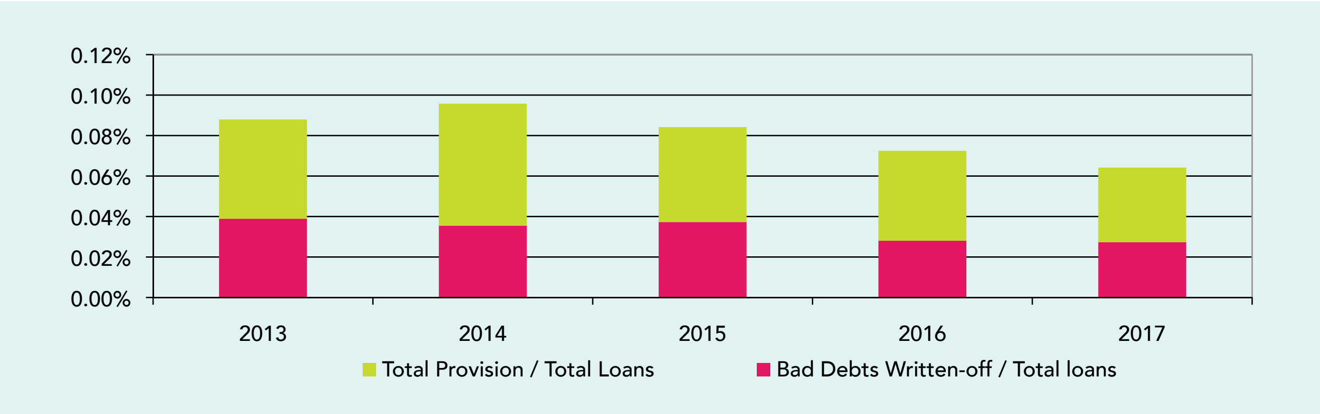
The Group has a concentration in retail lending to members who are predominantly employees in the Australian education sector and their families. This concentration is considered acceptable on the basis that the Group was formed to service these members, the industry is an essential and stable industry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

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

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

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

Total provision/total loans and bad debts written off/total loans

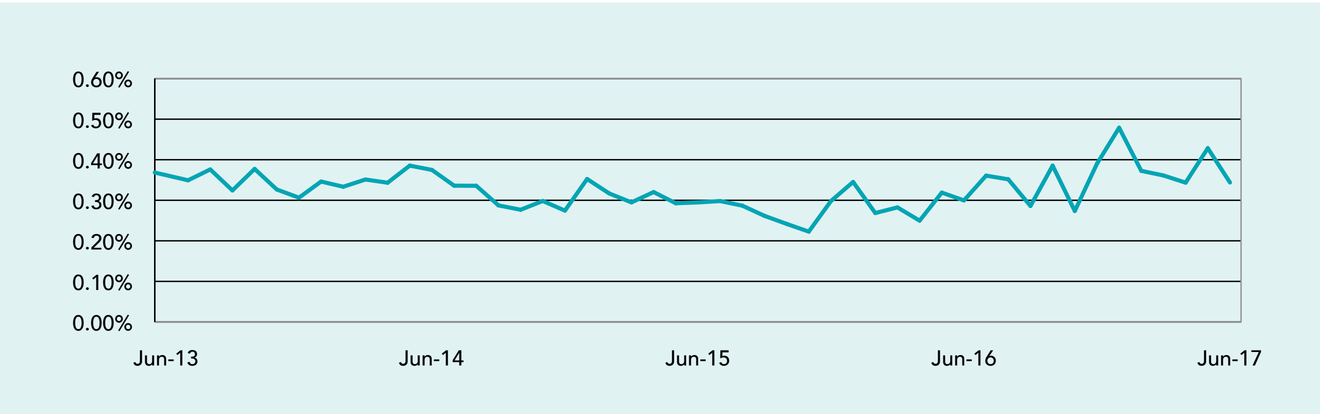


Collateral securing loans

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

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

Percentage of mortgage portfolio in arrears



Credit risk – investing

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

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

2017 Investments with:	No. of institutions	Carrying value	Past due value	Provision
ADIs rated A-1+ to A-1 (short-term)	5	337,760,341	-	-
ADIs rated A-2 or P-2 (short-term)	13	375,754,093	-	-
ADIs rated A-3 or P-3 (short-term)	3	34,578,397	-	-
ADIs rated AA+ to AA- (long-term)	4	170,000,000	-	-
ADIs rated A+ to A- (long-term)	5	111,561,697	-	-
ADIs rated BBB+ to BBB (long-term)	6	99,600,444	-	-
Total		**1,129,254,972**	**-**	**-**

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

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

Operational risk

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

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

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

Operational risk management

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

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

Compliance

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

Fraud

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

Outsourcing arrangements

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

Cuscal Limited

Cuscal Limited (Cuscal) is an ADI that supplies settlement, transaction processing, card, interchange and other services to other organisations including banks, credit unions and building societies. In relation to the Group, Cuscal:

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

ii. Supplies Visa cards;

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

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

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

Ultradata Australia Pty Limited

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

Capital management

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

- **Pillar 1** – Minimum capital requirements, including a specific capital charge for operational risk;
- **Pillar 2** – Enhanced supervision of capital management including the application of an internal capital adequacy assessment process (ICAAP); and
- **Pillar 3** – More extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by APRA's prudential standards. These standards are aimed at delivering capital requirements in respect of credit risk, market risk and operational risk.

Credit risk

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

2017 ON-STATEMENT OF FINANCIAL POSITION EXPOSURES	Carrying value	Risk weighting/ Credit risk mitigation	Risk weighted amount
Cash	1,782,276	-	-
Deposits in highly rated ADIs	507,760,341	20%	101,552,068
Deposits in less highly rated ADIs	621,494,631	50%	310,747,316
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	4,568,621,861	35%	1,599,017,651
Standard loans secured against eligible residential mortgages over 80% LVR	630,598,593	50-75%	318,698,364
Other standard mortgage loans	21,997,989	100%	21,997,989
Non-standard mortgage loans	27,743,953	35-100%	18,772,184
Other loans	225,792,611	0-100%	225,670,018
Other assets	50,568,250	100%	50,568,250
Total	**6,656,360,505**		**2,647,023,840**

2017 NON-MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk weighted amount
Loans approved and not advanced	140,336,411	100%	140,336,411	35%-100%	61,241,588
Redraws available	434,164,561	50%	217,082,280	35%-100%	79,212,893
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	306,996,570	-	-	-	
Total	**981,497,642**		**357,418,791**		**140,454,581**

2017 NON-MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk weighted amount
Possible contribution to CUFSS Limited	100,000,000	-	-	-	
Total	**981,497,642**		**357,418,791**		**140,454,581**

MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	Risk weighted amount
Residual maturity 1 year or less	262,000,000	-	-	-	-	-
Residual maturity > 1 year to 5 years	538,200,000	0.5%	2,691,000	1,330,737	4,021,737	804,347
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	**800,200,000**		**2,691,000**	**1,330,737**	**4,021,737**	**804,347**

Total weighted credit risk exposures	**2,788,282,768**

Market risk

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

Operational risk

Operational risk is measured using the Standardised Approach defined in APS 114. The capital charge is based upon portfolio balances and revenue streams with scaling and risk factors applied to reflect APRA's assessment of the particular risk profiles.

OPERATIONAL RISK CPAITAL REQUIREMENT FOR RETAIL BANKING

	31-Dec-14	30-Jun-15	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17
Total gross outstanding loans and advances for retail banking	3,836,847,647	4,078,699,699	4,432,278,852	4,595,067,248	5,056,181,646	5,477,914,787
- multiplied by 3.5% scaling factor	134,289,668	142,754,489	155,129,760	160,827,354	176,966,358	191,727,018
- multiplied by 12% risk factor	16,114,760	17,130,539	18,615,571	19,299,282	21,235,963	23,007,242
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**19,233,893**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	768,823,669	698,995,359	852,017,522	853,625,849	903,383,637	1,078,074,273
- multiplied by 3.5% scaling factor	26,908,828	24,464,838	29,820,613	29,876,905	31,618,427	37,732,600
- multiplied by 15% risk factor	4,036,324	3,669,726	4,473,092	4,481,536	4,742,764	5,659,890
Average of the 6 half-year results = Total operational risk capital requirement for commercial banking						**4,510,555**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR OTHER ACTIVITIES

Average of the 3 annual results = Total operational risk capital requirement for all other activity	**1,282,101**
Total operational risk capital requirement	**25,026,549**
Risk weighted asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**312,831,863**
Total credit and operational risk weighted	**3,101,114,631**

Capital resources

Tier 1 capital

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

Tier 2 capital

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

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

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

CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	2017	2016
Tier 1 Common Equity	473,477,550	424,616,909
Less: Prescribed deductions	(18,575,052)	(17,775,815)
Tier 1 capital	**454,902,498**	**406,841,094**
Tier 2 Reserve for credit losses	13,006,919	9,893,556
Tier 2 reserve for credit losses	**13,006,919**	**9,893,556**
Total capital	**467,909,417**	**416,734,650**

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

2017	2016	2015	2014	2013
15.09%	**15.85%**	**15.74%**	**15.72%**	**15.98%**

Pillar 2 risk capital

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

These risks fall into 3 categories:

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

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

Risks requiring uplift

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

Strategic risk

- Business environment risk
- Business opportunities

Credit risk

- Investing – counterparty default risk

Operational risk

Market risk

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

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

Internal capital adequacy management

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

Contingency buffer for business cycle volatility

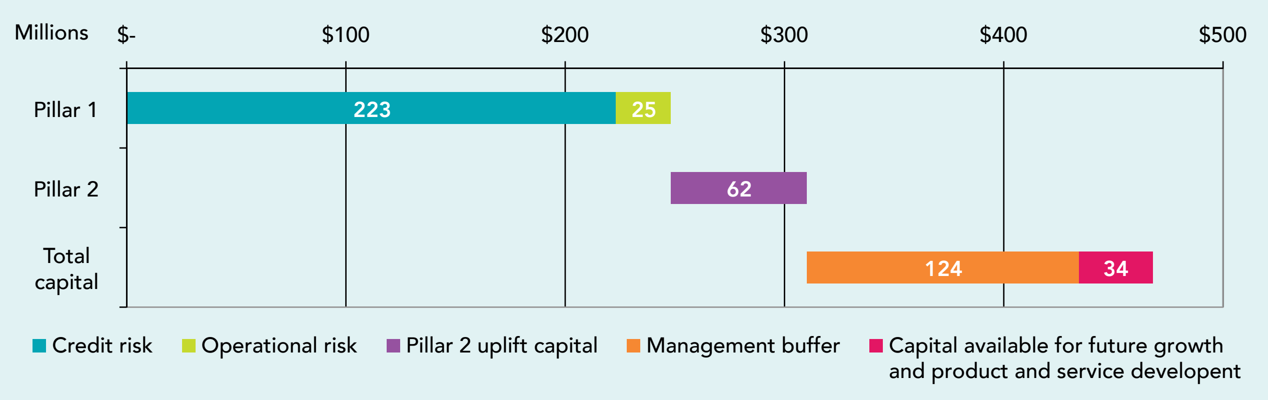
Based on historical fluctuations in capital, the Group incorporates a contingency buffer of 4% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risks identified above.

			2017
	RWA	Minimum capital required	% Equivalent of RWA
Credit risk	2,788,282,768	223,062,621	8.00%
Operational risk	312,831,861	25,026,549	8.00%
Total	**3,101,114,629**	**248,089,170**	**8.00%**

Pillar 2 uplift capital	62,022,293	2.00%
ICAAP capital required	310,111,463	10.00%
Buffer for business cycle volatility	124,044,585	4.00%
Capital available for future growth and product and service development	33,753,369	1.09%
Risk-based capital ratio	**467,909,417**	**15.09%**

Common Equity Tier 1 capital ratio	**454,902,498**	**14.67%**
Tier 1 capital ratio	**454,902,498**	**14.67%**
Tier 2 capital ratio	**13,006,919**	**0.42%**

Categorisation of capital



23. Categories of financial instruments

a. The following information classifies the financial instruments into measurement classes

	Note(s)	2017 $'000		2016 $'000	
FINANCIAL ASSETS – CARRIED AT AMORTISED COST		**Consolidated**	**Parent**	**Consolidated**	**Parent**
Cash on hand and deposits at call		146,758	146,758	173,437	173,437
Receivables from financial institutions	4	984,279	984,279	708,931	708,931
Receivables	6	12,085	11,579	12,889	12,334
Loans and advances to members	7 & 8	5,480,497	5,480,497	4,595,615	4,595,615
Total carried at amortised cost		**6,623,619**	**6,623,113**	**5,490,872**	**5,490,317**
Cash flow hedge derivative assets – carried at fair value	5	1,338	1,338	5	5
Available for sale investment – carried at fair value	9	5,145	5,145	4,737	4,737
Investments in controlled entities – carried at fair value	10	-	147	-	147
Total financial assets		**6,630,102**	**6,629,743**	**5,495,614**	**5,495,206**
FINANCIAL LIABILITIES – CARRIED AT AMORTISED COST					
Borrowings		-	-	-	-
Wholesale sector funding	14	680,261	680,261	419,642	419,642
Retail deposits	15	5,479,060	5,479,874	4,635,571	4,636,734
Creditors, accruals and settlement accounts	16	9,794	9,349	23,467	22,958
Total carried at amortised cost		**6,169,115**	**6,169,484**	**5,078,680**	**5,079,334**
Cash flow hedge derivative liabilities – carried at fair value	5	2,645	2,645	10,088	10,088
Total financial liabilities		**6,171,760**	**6,172,129**	**5,088,768**	**5,089,422**

b. Assets measured at fair value

Consolidated	**2017 $'000**	**Level 1**	**Level 2**	**Level 3**
Cash flow hedge derivatives	1,338	-	1,338	-
Available for sale investments	5,145	-	-	5,145
Total	**6,483**	**-**	**1,338**	**5,145**

Parent	**2017 $'000**	**Level 1**	**Level 2**	**Level 3**
Cash flow hedge derivatives	1,338	-	1,338	-
Available for sale investments	5,145	-	-	5,145
Investments in controlled entities	147	-	-	147
Total	**6,630**	**-**	**1,338**	**5,292**

Consolidated	**2016 $'000**	**Level 1**	**Level 2**	**Level 3**
Cash flow hedge derivatives	5	-	5	-
Available for sale investments	4,737	-	-	4,737
Total	**4,742**	**-**	**5**	**4,737**

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

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

Cash flow hedge derivatives

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

Available for sale investments and investments in controlled entities

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

24. Maturity profile of financial assets and liabilities

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

CONSOLIDATED

2017 Assets $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**>5 years**	**No maturity**	**Total**	**Statement of financial position**
Cash on hand and deposits at call	146,758	-	-	-	-	-	146,758	146,758
Receivables from financial institutions	108,859	206,366	327,430	341,624	-	-	984,279	984,279
Receivables	8,849	2,040	4,511	24,968	-	-	40,368	12,085
Loans and advances to members	44,749	88,237	390,563	1,495,851	6,897,380	-	8,916,780	5,480,497
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Cash flow hedge derivative asset	1,344	17	75	124	-	-	1,560	1,338
Total financial assets	**310,559**	**296,660**	**722,579**	**1,862,567**	**6,897,380**	**5,145**	**10,094,890**	**6,630,102**

2017 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	105,000	151,900	175,076	269,258	-	-	701,234	680,261
Retail deposits	2,309,704	701,611	1,884,585	624,153	-	2,185	5,522,238	5,479,060
Creditors, accruals and settlement accounts	9,794	-	-	-	-	-	9,794	9,794
Cash flow hedge derivatives liabilities	2,540	785	1,834	1,710	-	-	6,869	2,645
Total financial liabilities	**2,427,038**	**854,296**	**2,061,495**	**895,121**	**-**	**2,185**	**6,240,135**	**6,171,760**

PARENT

2017 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	146,758	-	-	-	-	-	146,758	146,758
Receivables from financial institutions	108,859	206,366	327,430	341,624	-	-	984,279	984,279
Receivables	8,343	2,040	4,511	24,968	-	-	39,862	11,579
Loans and advances to members	44,749	88,237	390,563	1,495,851	6,897,380	-	8,916,780	5,480,497
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	1,344	17	75	124	-	-	1,560	1,338
Total financial assets	**310,053**	**296,660**	**722,579**	**1,862,567**	**6,897,380**	**5,292**	**10,094,531**	**6,629,743**

2017 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	105,000	151,900	175,076	269,258	-	-	701,234	680,261
Retail deposits	2,310,518	701,611	1,884,585	624,153	-	2,185	5,523,052	5,479,874
Creditors, accruals and settlement accounts	9,349	-	-	-	-	-	9,349	9,349
Cash flow hedge derivative liabilities	2,540	785	1,834	1,710	-	-	6,869	2,645
Total financial liabilities	**2,427,407**	**854,296**	**2,061,495**	**895,121**	**-**	**2,185**	**6,240,504**	**6,172,129**

CONSOLIDATED

2016 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	173,437	-	-	-	-	-	173,437	173,437
Receivables from financial institutions	104,706	131,281	208,864	264,080	-	-	708,931	708,931
Receivables	9,939	1,755	2,742	25,091	-	-	39,527	12,889
Loans and advances to members	40,866	81,116	358,670	1,315,627	5,706,130	-	7,502,409	4,595,615
Available for sale investments	-	-	-	-	-	4,737	4,737	4,737
Cash flow hedge derivative asset	10	21	92	245	-	-	368	5
Total financial assets	**328,958**	**214,173**	**570,368**	**1,605,043**	**5,706,130**	**4,737**	**8,429,409**	**5,495,614**
2016 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	106,000	148,000	97,130	73,178	-	-	424,308	419,642
Retail deposits	2,228,758	599,095	1,339,979	497,434	-	2,265	4,667,531	4,635,571
Creditors, accruals and settlement accounts	23,467	-	-	-	-	-	23,467	23,467
Cash flow hedge derivatives liabilities	7,414	3,455	3,533	2,321	-	-	16,723	10,088
Total financial liabilities	**2,365,639**	**750,550**	**1,440,642**	**572,933**	**-**	**2,265**	**5,132,029**	**5,088,768**

PARENT

2016 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	173,437	-	-	-	-	-	173,437	173,437
Receivables from financial institutions	104,706	131,281	208,864	264,080	-	-	708,931	708,931
Receivables	9,384	1,755	2,742	25,091	-	-	38,972	12,334
Loans and advances to members	40,866	81,116	358,670	1,315,627	5,706,130	-	7,502,409	4,595,615
Available for sale investments	-	-	-	-	-	4,737	4,737	4,737
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	10	21	92	245	-	-	368	5
Total financial assets	**328,403**	**214,173**	**570,368**	**1,605,043**	**5,706,130**	**4,884**	**8,429,001**	**5,495,206**
2016 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	106,000	148,000	97,130	73,178	-	-	424,308	419,642
Retail deposits	2,229,921	599,095	1,339,979	497,434	-	2,265	4,668,694	4,636,734
Creditors, accruals and settlement accounts	22,958	-	-	-	-	-	22,958	22,958
Cash flow hedge derivatives liabilities	7,414	3,455	3,533	2,321	-	-	16,723	10,088
Total financial liabilities	**2,366,293**	**750,550**	**1,440,642**	**572,933**	**-**	**2,265**	**5,132,683**	**5,089,422**

25. Current and non-current maturity profile of financial assets and liabilities

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

CONSOLIDATED			
2017 Assets $'000	**Within 12 months**	**After 12 months**	**Total**
Cash on hand and deposits at call	146,758	-	146,758
Receivables from financial institutions	642,655	341,624	984,279
Receivables	12,085	-	12,085
Loans and advances to members	278,325	5,198,446	5,476,771
Available for sale investments	-	5,145	5,145
Cash flow hedge derivative asset	1,338	-	1,338
Total financial assets	**1,081,161**	**5,545,215**	**6,626,376**

2017 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	429,473	250,788	680,261
Retail deposits	4,862,617	616,443	5,479,060
Creditors, accruals and settlement accounts	9,794	-	9,794
Cash flow hedge derivative liabilities	2,645	-	2,645
Total financial liabilities	**5,304,529**	**867,231**	**6,171,760**

PARENT			
2017 Assets $'000	**Within 12 months**	**After 12 months**	**Total**
Cash on hand and deposits at call	146,758	-	146,758
Receivables from financial institutions	642,655	341,624	984,279
Receivables	11,579	-	11,579
Loans and advances to members	278,325	5,198,446	5,476,771
Available for sale investments	-	5,145	5,145
Investments in controlled entities	-	147	147
Cash flow hedge derivatives asset	1,338	-	1,338
Total financial assets	**1,080,655**	**5,545,362**	**6,626,017**

2017 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	429,473	250,788	680,261
Retail deposits	4,863,431	616,443	5,479,874
Creditors, accruals and settlement accounts	9,349	-	9,349
Cash flow hedge derivatives liabilities	2,645	-	2,645
Total financial liabilities	**5,304,898**	**867,231**	**6,172,129**

CONSOLIDATED

2016 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	173,437	-	173,437
Receivables from financial institutions	444,851	264,080	708,931
Receivables	12,889	-	12,889
Loans and advances to members	266,647	4,328,419	4,595,066
Available for sale investments	-	4,737	4,737
Cash flow hedge derivative asset	5	-	5
Total financial assets	**897,829**	**4,597,236**	**5,495,065**

2016 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	349,496	70,146	419,642
Retail deposits	4,145,563	490,008	4,635,571
Creditors, accruals and settlement accounts	23,467	-	23,467
Cash flow hedge derivative liabilities	10,088	-	10,088
Total financial liabilities	**4,528,614**	**560,154**	**5,088,768**

PARENT

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

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

26. Interest rate change profile of financial assets and liabilities

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

CONSOLIDATED						
2017 Assets $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**Non-interest bearing**	**Total**
Cash on hand and deposits at call	144,976	-	-	-	1,782	146,758
Receivables from financial institutions	350,462	389,624	244,193	-	-	984,279
Receivables	-	-	-	-	12,085	12,085
Loans and advances to members	2,777,255	85,404	596,675	2,017,370	67	5,476,771
Available for sale investments	-	-	-	-	5,145	5,145
Cash flow hedge derivatives asset	1,338	-	-	-	-	1,338
Total financial assets	**3,274,031**	**475,028**	**840,868**	**2,017,370**	**19,079**	**6,626,376**

2017 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	104,899	151,428	173,146	250,788	-	680,261
Retail deposits	2,309,492	698,852	1,854,273	614,258	2,185	5,479,060
Creditors, accruals and settlement accounts	-	-	-	-	9,794	9,794
Cash flow hedge derivative liabilities	2,391	254	-	-	-	2,645
On-statement of financial position	2,416,782	850,534	2,027,419	865,046	11,979	6,171,760
Undrawn loan commitments (see Note 28a, 28b, 28c)	881,498	-	-	-	-	881,498
Total financial liabilities	**3,298,280**	**850,534**	**2,027,419**	**865,046**	**11,979**	**7,053,258**

PARENT						
2017 Assets $'000	**Within 1 month**	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**Non-interest bearing**	**Total**
Cash on hand and deposits at call	144,976	-	-	-	1,782	146,758
Receivables from financial institutions	350,462	389,624	244,193	-	-	984,279
Receivables	-	-	-	-	11,579	11,579
Loans and advances to members	2,777,255	85,404	596,675	2,017,370	67	5,476,771
Available for sale investments	-	-	-	-	5,145	5,145
Investments in controlled entities	-	-	-	-	147	147
Cash flow hedge derivative asset	1,338	-	-	-	-	1,338
Total financial assets	**3,274,031**	**475,028**	**840,868**	**2,017,370**	**18,720**	**6,626,017**

2017 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	104,899	151,428	173,146	250,788	-	680,261
Retail deposits	2,310,306	698,852	1,854,273	614,258	2,185	5,479,874
Creditors, accruals and settlement accounts	-	-	-	-	9,349	9,349
Cash flow hedge derivative liabilities	2,391	254	-	-	-	2,645
On-statement of financial position	2,417,596	850,534	2,027,419	865,046	11,534	6,172,129
Undrawn loan commitments (see Note 28a, 28b, 28c)	881,498	-	-	-	-	881,498
Total financial liabilities	**3,299,094**	**850,534**	**2,027,419**	**865,046**	**11,534**	**7,053,627**

CONSOLIDATED

2016 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	172,095	-	-	-	1,342	173,437
Receivables from financial institutions	268,734	238,833	201,364	-	-	708,931
Receivables	-	-	-	-	12,889	12,889
Loans and advances to members	2,501,686	68,979	566,602	1,457,239	560	4,595,066
Available for sale investments	-	-	-	-	4,737	4,737
Cash flow hedge derivatives asset	5	-	-	-	-	5
Total financial assets	**2,942,520**	**307,812**	**767,966**	**1,457,239**	**19,528**	**5,495,065**
2016 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	105,906	217,571	96,165	-	-	419,642
Retail deposits	2,228,430	596,589	1,320,544	487,743	2,265	4,635,571
Creditors, accruals and settlement accounts	-	-	-	-	23,467	23,467
Cash flow hedge derivative liabilities	7,303	2,785	-	-	-	10,088
On-statement of financial position	2,341,639	816,945	1,416,709	487,743	25,732	5,088,768
Undrawn loan commitments (see Note 28a, 28b, 28c)	838,580	-	-	-	-	838,580
Total financial liabilities	**3,180,219**	**816,945**	**1,416,709**	**487,743**	**25,732**	**5,927,348**

PARENT

2016 Assets $'000	Within 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	172,095	-	-	-	1,342	173,437
Receivables from financial institutions	268,734	238,833	201,364	-	-	708,931
Receivables	-	-	-	-	12,334	12,334
Loans and advances to members	2,501,686	68,979	566,602	1,457,239	560	4,595,066
Available for sale investments	-	-	-	-	4,737	4,737
Investments in controlled entities	-	-	-	-	147	147
Cash flow hedge derivative asset	5	-	-	-	-	5
Total financial assets	**2,942,520**	**307,812**	**767,966**	**1,457,239**	**19,120**	**5,494,657**
2016 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	105,906	217,571	96,165	-	-	419,642
Retail deposits	2,229,593	596,589	1,320,544	487,743	2,265	4,636,734
Creditors, accruals and settlement accounts	-	-	-	-	22,958	22,958
Cash flow hedge derivative liabilities	7,303	2,785	-	-	-	10,088
On-statement of financial position	2,342,802	816,945	1,416,709	487,743	25,223	5,089,422
Undrawn loan commitments (see Note 28a, 28b, 28c)	838,580	-	-	-	-	838,580
Total financial liabilities	**3,181,382**	**816,945**	**1,416,709**	**487,743**	**25,223**	**5,928,002**

27. Fair value of financial assets and liabilities

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

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

	CONSOLIDATED			PARENT		
2017 Assets $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	146,758	146,758	-	146,758	146,758	-
Receivables from financial institutions	986,389	984,279	2,110	986,389	984,279	2,110
Receivables	12,085	12,085	-	11,579	11,579	-
Loans and advances to members	5,469,314	5,480,497	(11,183)	5,469,314	5,480,497	(11,183)
Available for sale investments	5,145	5,145	-	5,145	5,145	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative asset	1,338	1,338	-	1,338	1,338	-
Total financial assets	**6,621,029**	**6,630,102**	**(9,073)**	**6,620,670**	**6,629,743**	**(9,073)**

2017 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	682,269	680,261	2,008	682,269	680,261	2,008
Retail deposits	5,482,780	5,479,060	3,720	5,483,594	5, 479,874	3,720
Creditors, accruals and settlement accounts	9,794	9,794	-	9,349	9,349	-
Cash flow hedge derivative liabilities	2,645	2,645	-	2,645	2,645	-
Total financial liabilities	**6,177,488**	**6,171,760**	**5,728**	**6,177,857**	**6,172,129**	**5,728**

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

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

Fair value estimates were determined using the methodologies and assumptions as discussed below.

Liquid assets and receivables from other financial institutions

The carrying value of cash is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of NCDs and term deposits from other financial institutions. The rates applied to give effect to the discount of cash flows were 1.62%-2.50% (FY2016: 1.85%-2.67%). Independent revaluations were used for fixed income security trading margins.

Loans and advances

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

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

The rates applied to give effect to the discount of cash flows were 4.04%-11.50% (FY2016: 3.74%-11.50%).

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

Wholesale sector funding and retail deposits

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

Wholesale sector funding: The rates applied to give effect to the discount of cash flows were 1.77%-2.81% (FY2016: 2.00%-2.67%).

Retail deposits: The rates applied to give effect to the discount of cash flows were 1.48%-3.10% (FY2016: 1.83%-2.99%).

Short term borrowings

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

28. Financial commitments

a. Outstanding loan commitments

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Loans approved but not funded	**140,336**	**140,336**	**131,000**	**131,000**

b. Loan redraw facilities

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Loan redraw facilities available	**434,165**	**434,165**	**411,493**	**411,493**

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows:	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Total value of facilities approved	407,127	407,127	396,382	396,382
Less: Amount advanced	(100,130)	(100,130)	(100,295)	(100,295)
Net undrawn value	**306,997**	**306,997**	**296,087**	**296,087**

d. Future capital commitments

The Group has entered into a contract to purchase plant and property for which the amount is to be paid over the following periods:	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	275	275	93	93
Total	**275**	**275**	**93**	**93**

e. Computer capital commitments

	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	8	8	68	68
Total	**8**	**8**	**68**	**68**

f. Lease expenditure commitments

Operating leases on property occupied by the group:	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	860	860	898	898
Later than 1 year but not 2 years	428	428	716	716
Later than 2 years but not 5 years	204	204	274	274
Over 5 years	-	-	-	-
Total	**1,492**	**1,492**	**1,888**	**1,888**

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

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

29. Standby borrowing facilities

The Group has borrowing facilities as follows:

	Gross	Current borrowings	Net available
			2017 $'000
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
			2016 $'000
CONSOLIDATED			
Overdraft facility	25,000	-	25,000
Total standby borrowing facilities	**25,000**	**-**	**25,000**
PARENT			
Overdraft facility	25,000	-	25,000
Total standby borrowing facilities	**25,000**	**-**	**25,000**

The Parent has an overdraft facility with Cuscal and maintains a security deposit of $52 million with Cuscal to secure this facility and settlement services. No other form of security is provided by the Parent.

Diploma Travel has bank overdraft facilities amounting to $30,000 with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 with the Parent (eliminated upon consolidation). These may be drawn upon at any time, and terminated at any time at the option of the financial institution. As at 30 June 2017 none of the facilities were used. Interest rates are variable.

30. Contingent liabilities

Liquidity support scheme

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

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3% of the Parent's total assets, capped at a maximum of $100 million. This amount represents the participating Australian mutual ADIs irrevocable commitment under the ISC.

31. Disclosures by Directors, other key management personnel and related parties

a. Remuneration of key management personnel (KMP)

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

KMP is deemed to comprise the Directors and the seven members of the executive management of the Parent (2016-2017) who are responsible for the day-to-day financial and operational management of the Group.

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

					2017 $'000
	Short-term	Post-employment	Motor vehicle	Net increases in long service leave provision	Total
Short-term employee benefits:					
J Kouimanos	98	35	-	-	133
L Green	83	8	-	-	91
T Carlin	69	7	-	-	76
M Collopy	76	7	-	-	83
J Leete	68	7	-	-	75
G Lockwood	45	33	-	-	78
W Ford	68	7	-	-	75
M O'Neill	68	7	-	-	75
M O'Halloran	61	14	-	-	75
Short-term employee benefits – other	3	-	-	-	3
Reimbursement to employer	-	-	-	-	-
Total	**639**	**125**	**-**	**-**	**764**
Other KMP	3,436	325	71	218	**4,050**

					2016 $'000
	Short-term	Post-employment	Motor vehicle	Net increases in long service leave provision	Total
J Kouimanos	93	35	-	-	128
L Green	81	9	-	-	90
T Carlin	66	6	-	-	72
M Collopy	75	7	-	-	82
J Leete	66	6	-	-	72
G Lockwood	42	32	-	-	74
W Ford	56	6	-	-	62
M O'Neill	64	6	-	-	70
M O'Halloran	61	13	-	-	74
Short-term employee benefits – other	6	-	-	-	6
Reimbursement to employer	2	-	-	-	2
Total	**612**	**120**	**-**	**-**	**732**
Other KMP	3,306	325	71	244	**3,946**

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

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

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

b. Loans to Directors and other KMP

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

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

	2017 $'000			2016 $'000		
	Mortgage term loans	**Other term loans**	**Revolving credit facilities**	**Mortgage term loans**	**Other term loans**	**Revolving credit facilities**
Funds available to be drawn	984	-	159	1,183	-	187
Balance	2,319	-	61	1,881	-	29
Amounts disbursed or facilities increased in the year	-	-	4	-	-	2
Interest and other revenue earned	60	-	7	62	1	7

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

	2017 $'000	**2016 $'000**
Total value term and savings deposits from Directors and other KMPs	1,139	6,961
Total interest paid on deposits to Directors and other KMPs	63	130

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

d. Transactions with related entities

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

2017 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	96	59	6

2016 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Q.T. Travel Pty. Ltd. trading as Diploma World Travel Service	182	-	4

2017 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Tertiary Travel Service Pty Ltd	103	53	4

2016 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Tertiary Travel Service Pty Ltd	-	58	-

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

e. Transactions with related parties

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

An attendance fee was paid to Graeme Green as chair of the members committee, amounting to $3,180 (FY2016: $2,968). Graeme Green is the spouse of Linda Green.

32. Segmental reporting

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

33. Superannuation liabilities

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

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

The financing objective of the sub-group is to maintain defined benefit assets at least equal to 105% of the Discounted Accrued Retirement Benefits. The sub-group is in an Unsatisfactory Financial Position (as defined under SIS Regulations 1994, to mean that the assets are not sufficient to meet the vested benefits) at 31 March 2017 and has not met its financial objective. With effect from 1 January 2017, all employers have been asked to contribute at the rate of 8% of salary for accumulation style members and 16% of salary for defined benefit style members, plus additional amounts per member to recognise prior excessive salary increases.

Each employer is obliged to contribute for its employee members as determined by the Trustee in accordance with the provisions and benefits to be provided for the relevant membership class for the employee members involved. By implication, an employee is not required to contribute in respect of the funding of benefits for employee members of any other participating employer in the Plan.

Each employer has the unilateral right (i.e. a discretionary power exercisable without requiring consent of the Trustee) at any time to terminate or reduce their contributions or terminate participation in the Plan, upon which the Trustee must ascertain interests and adjust benefits on appropriate advise, as a result.

If the Plan terminates, employers are liable for any arrears of their own contributions only (such contributions being as determined by the Trustee as advised and recommended by the Actuary from time to time) and the termination provisions do not require any additional contribution to make up any shortfall in assets that may otherwise exist due to the obligations of other employers not having been met or otherwise.

34. Transfers of financial assets

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

Securitised loans retained on-statement of financial position

EdSec Funding Trust No.1 has been established as a mechanism to obtain liquid funds from the RBA.

The value of securitised loans that do not qualify for de-recognition are set out below. All loans are variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year the Parent assigned an additional $223 million in loans (FY2016: $162 million) to the Trust.

	2017 $'000	2016 $'000
Total amount of securitised loans under management	663,740	622,848

35. Notes to statement of cash flows

a. Reconciliation of cash

CASH INCLUDES CASH ON HAND AND DEPOSITS AT CALL WITH OTHER FINANCIAL INSTITUTIONS AND COMPRISES	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Cash on hand and deposits at call	146,758	146,758	173,437	173,437

b. Reconciliation of cash from operations to accounting profit

THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO PROFIT AFTER TAX	2017 $'000		2016 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit after income tax	27,622	27,878	30,271	30,212
Add (less):				
- Provision for impairment and bad debts written off (net)	2,498	2,498	2,211	2,211
- Depreciation of property, plant and equipment	6,103	6,100	5,900	5,900
- Provision for employee entitlements	2,036	2,036	1617	1617
- Other provisions	(637)	(629)	(242)	(241)
- Loss on disposal of plant and equipment (net)	59	59	140	140
- Bad debts recovered	(1,153)	(1,153)	(1,102)	(1,102)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	(1,300)	(1,306)	(544)	(539)
- Accrued expenses and sundry creditors	(12)	(12)	180	180
- Interest receivable	362	362	(318)	(318)
- Interest payable	3,774	3,774	(361)	(361)
- Other income receivable	(192)	(192)	589	589
- Unearned income	(194)	(194)	293	293
- Increase in other assets	(77)	(77)	-	(45)
- Increases in loans and advances to members	(772,056)	(772,056)	(369,600)	(369,600)
- Increase in retail deposits	633,176	632,842	391,435	391,548
- Provision for income tax	(330)	(336)	367	331
- Deferred tax assets	(680)	(595)	(627)	(605)
Net cash flows from operating activities	**(101,001)**	**(101,001)**	**60,209**	**60,210**

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

36. Events occurring after balance date

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

37. Transfer of business

The Group accepted a transfer of business from the Fire Brigades Employees Credit Union (FBECU), effective 1 November 2016.

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

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

No goodwill arose on the transfer.

The Group issued 7,287 shares to the members of FBECU.

As the members of FBECU were entitled to the withdrawable value of the shares, the value of those shares was retained at the withdrawable value of $72,870 in aggregate.

Other prescribed disclosures are as follows:

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

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

	2017 $'000		
	Gross Contractual Amounts Receivable	Provision for Impairment	Net Amounts Received
ASSETS			
Cash	30,615	-	30,615
Receivables from ADIs	68,709	-	68,709
Receivables from members	114,157	(9)	114,148
Other receivables	648	-	648
Fixed Assets	307	-	307
Available for sale investments	423	-	423
Intangible assets	-	-	-
Taxation assets	11		11
Deferred tax assets	134	-	134
Total assets	**215,004**	**(9)**	**214,995**
LIABILITIES			
Member deposits	194,358	-	194,358
Creditors and accruals	1,560	-	1,560
Other provisions	371	-	371
Taxation liabilities	-	-	-
Total liabilities	**196,289**	**-**	**196,289**
Net assets	**18,715**	**(9)**	**18,706**

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

(d) Cost of the acquisitions expensed comprised

DESCRIPTION	2017 $'000
Professional due diligence and legal costs	**39**

These costs were incurred in the 2017 financial year and form part of the Other Administration Expenses of the Group.

(e) There are no costs of the acquisitions incurred but not expensed.

(f) Post acquisition performance

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

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

38. Corporate information

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

Directors' declaration

The Directors of Teachers Mutual Bank Limited declare that:

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

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

(b) give a true and fair view of the financial position of the Group as at 30 June 2017 and performance for the year ended on that date.

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

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos
Chairman

Signed and dated this 28th day of August 2017

Grant Thornton

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

Auditor's Opinion

We have audited the financial report of Teachers Mutual Bank Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the accompanying financial report of Teachers Mutual Bank Limited is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Grant Thornton

Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Directors responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our auditor's report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera

M Mattera
Partner - Audit & Assurance

Sydney, 28 August 2017

Need more information? We're here to help.

13 12 21 – 8am to 7pm, weekdays – 9am to 3pm, Saturday

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