



ANNUAL REPORT 2017

BANKING ON YOUR COMMUNITY



MEMBER SERVICE



We will provide service excellence through every member contact, by truly understanding our members' needs. We put our members at the centre of everything we do.

CONTINUOUS IMPROVEMENT



We will continuously evaluate our actions in order to improve the quality of our member service.

TEAMWORK



We will work collaboratively at all times, developing and maintaining productive working relationships based on mutual respect.

PERFORMANCE



We will ensure excellence in performance to realise our strategic objectives for the benefit of our members.

INTEGRITY



We will act with integrity, honesty and transparency in all things – with our members, our partners and each other.





OUR VALUES

At G&C Mutual Bank, our culture is underpinned by our values. We strive to live these values in all aspects of our work.

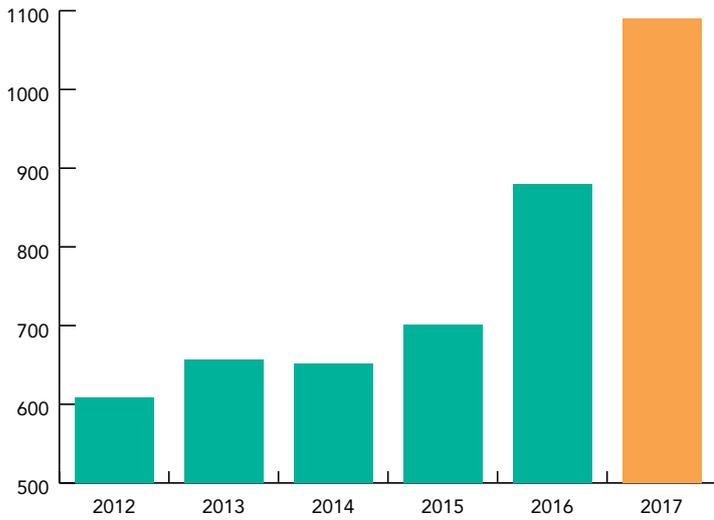
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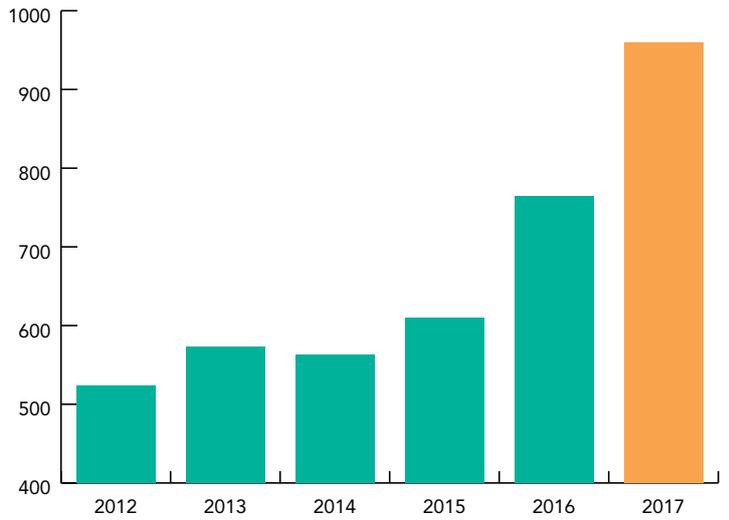


KEY STATISTICS TO 30 JUNE 2017

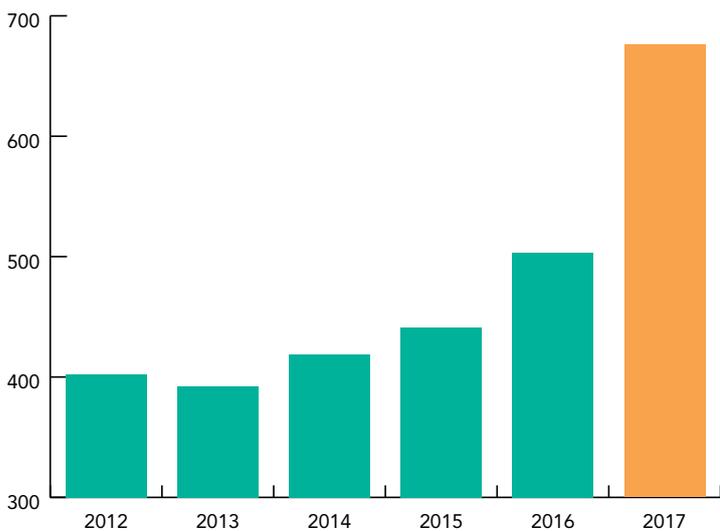
\$1,088m
Total Assests



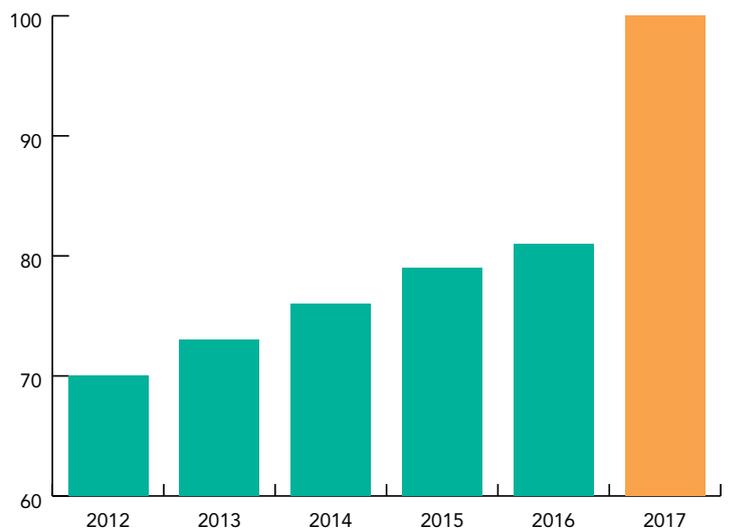
\$960m
Total Deposits



\$676m
Total Loans



\$100m
Member Equity



A YEAR OF GROWTH & PERFORMANCE

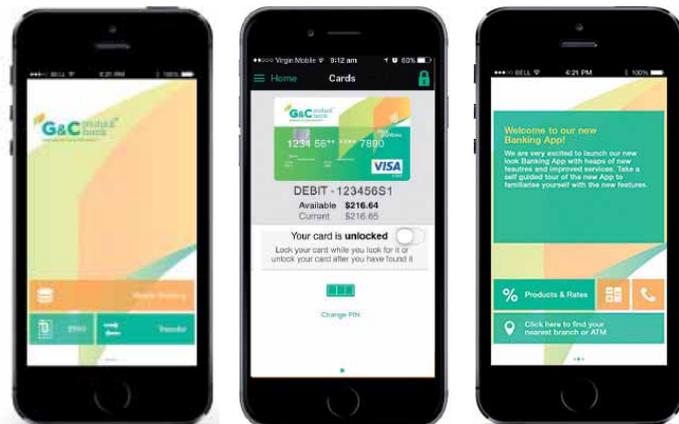


Julian Kennelly
Chair

QUAY MERGER SUPPORTS STRONG PERFORMANCE

The successful completion of the merger with **Quay Credit Union (Quay)** on 1 September 2016 helped drive the bank's exceptional financial performance during the 2016/17 financial year, with total assets passing through the \$1 billion milestone (and finishing the year at \$1.088 billion), member equity reaching \$100 million for the first time, and impressive increases in loan balances (up 34.28%), total deposits (up 25.57%), and strong product take-up across all major business lines.

The past financial year also saw **G&C Mutual Bank** continue its significant investment in new payments technology and member access channels, with the launch of our new Mobile Banking App, improvements to online banking services and the introduction of enhanced fraud prevention tools.



As part of our commitment to provide members with improved products and services, **G&C Mutual Bank** has given particular priority to our preparations for the roll-out in 2018 of what is being referred to as the "New Payments Platform" (or NPP). The NPP is an industry wide and RBA-backed initiative that will revolutionise payments in Australia and ultimately enable members to make payment transfers in real time. **G&C Mutual Bank** is a strong supporter of these reforms to the payment system and we expect

"G&C Mutual Bank finished the 2016/17 financial year with Assets of \$1,088.114 million, Member Equity of \$99.97 million and a risk-weighted Capital Ratio of 18.11% - with the latter ratio remaining substantially higher than those of the 4 major banks."

to be in a position later this year to provide members with a detailed overview of the benefits of these changes and the likely 2018 implementation dates.

STRONG LOAN GROWTH

G&C Mutual Bank once again experienced strong loan growth, with total loan balances increasing by 34.28% (or \$172.468 million) through the 2016/17 financial year. The merger with **Quay** contributed a substantial proportion (19.44% or \$97.780 million) of the growth in **G&C Mutual Bank's** year-end loan balances, with the remaining 14.84% (or \$74.688 million) representing organic loan growth and resulting in **G&C Mutual Bank's** non-merger loan growth exceeding 14% for the second year in a row.

In the year ahead, however, it is anticipated that the softening housing market and the impact of regulatory restrictions on investor lending will cause **G&C Mutual Bank's** loan growth rate to fall to around 6.00% - broadly in line with that of the overall banking system.

G&C Mutual Bank's commitment to maintaining conservative lending standards, our focus on customer segments that are well known and trusted, and our use of in-house origination channels rather than brokers, have together driven the bank's very low level of loan arrears and continue to underpin our proud 58 year record of never having incurred a loss on a home loan.

"G&C Mutual Bank once again experienced strong loan growth, with total loan balances increasing by 34.28% (or \$172.468 million) through the 2016/17 financial year."

OVERVIEW OF FINANCIAL PERFORMANCE

G&C Mutual Bank finished the 2016/17 financial year with Assets of \$1,088.114 million, Member Equity of \$99.97 million and a risk-weighted Capital Ratio of 18.11% - with the latter ratio remaining substantially higher than those of the 4 major banks.

G&C Mutual Bank's 2016/17 results are summarised in the charts on page 3 and are set out in detail in the accompanying financial statements. In summary, the bank finished the year with a 56% increase in pre-tax profit to \$5.117 million (2016: \$3.292 million), an increase in Member Equity of \$19.059 million to \$99.974 million, and a Net Interest Margin (NIM) as at 30 June 2017 of 2.29%.

A YEAR OF GROWTH & PERFORMANCE



Dave Taylor
CEO

NEW PRODUCTS & AWARDS

G&C Mutual Bank continues to review and enhance our product range to ensure we are meeting member needs. We were very pleased to launch 2 new housing products over the past 12 months – a specially designed and discounted First Home Buyers Loan (to help first home buyers compete in what is becoming a very challenging market for younger borrowers), and a Basic Home Loan which is designed for new borrowers who are prepared to forfeit some of the “bells and whistles” in order to get access to a more attractive interest rate.

SPRING INTO YOUR NEW HOME

**NEW HOME LOAN
NOW AVAILABLE FOR
NEW LOANS ONLY**



3.74%^{p.a.}

INTEREST RATE

3.77%^{p.a.}

COMPARISON RATE*

*Terms & conditions apply.

To ensure we remain market competitive, **G&C Mutual Bank** submits our full range of products for independent assessment and peer benchmarking. As part of those processes, the 2016/17 financial year once again saw **G&C Mutual Bank's** products independently recognised for their great value, flexibility and innovative features. We were also granted the following product awards over the past year:

- 5 Star Canstar rating for Outstanding Value for our Construction Loan;
- 5 Star Canstar rating for Outstanding Value for our “Get Ahead Start” Loan;
- 5 Star Canstar rating for Outstanding Value for our low rate credit card product;
- Mozo Experts Choice Award (2016) for best low rate credit card; and
- Mozo Experts Choice Award (2016) for best premium rewards credit card.

“2016/17 financial year once again saw G&C Mutual Bank's products independently recognised for their great value, flexibility and innovative features.”



THE YEAR AHEAD

G&C Mutual Bank expects market conditions to remain challenging in the year ahead, with a continuation of historically low interest rates for home loans and term deposits. **G&C Mutual Bank** will continue to explore merger opportunities with like-minded mutuals that will enable us to enhance our scale and efficiency in a lower-growth environment. The coming year will also see the commencement of the RBA-mandated New Payments Platform (NPP), which will enable customers to undertake real-time payments via a range of electronic channels and devices.

G&C Mutual Bank's business strategies (including our consideration of future merger partners) will continue to be framed around the two strengths that stand us apart as a member-owned financial institution – our preparedness to work together cooperatively with other member-owned organisations and our dedicated commitment to providing members with valued products and services.”

We would like to extend our thanks to Director Alan Green, who stood down from the **G&C Mutual Bank** Board upon completion of the Quay merger. Alan made a very valuable contribution to **G&C Mutual Bank** during his term on the Board and continues to be an active member and supporter of the bank.

As a consequence of the Quay merger, we also welcomed two new Directors to the Board of **G&C Mutual Bank** (Peter Clarke and Steve Helmich). Both Peter and Steve have brought extensive knowledge, experience and enthusiasm to the Board's deliberations and have already made major contributions to the development of **G&C Mutual Bank's** business.

“G&C Mutual Bank's business strategies (including our consideration of future merger partners) will continue to be framed around the two strengths that stand us apart as a member-owned financial institution – our preparedness to work together cooperatively with other member-owned organisations and our dedicated commitment to providing members with valued products and services.”

In closing, we'd like to thank all our members and all **G&C Mutual Bank** staff for their great efforts and loyalty in helping deliver a record year of growth, co-operation and innovation.

IT'S YOUR BANK
BECAUSE YOU OWN IT



\$100M
MEMBER
EQUITY



SERVING THE
COMMUNITY
FOR 58 YEARS

OUR
PRODUCTS
ARE **AWARD**
WINNING



\$1,088M
TOTAL
ASSETS



EVERY ONE OF OUR **36,000**
MEMBERS IS AN OWNER
WITH A VOICE AND A SAY
IN OUR FUTURE



BOARD OF DIRECTORS



Julian Kennelly

Board Chair & Chair of Governance, Nominations & Remuneration Committees, Non-Executive 'Elected' Director

Period of Appointment: 4 years to 2017 AGM

Julian was elected to the Board of G&C Mutual Bank in 2002 and has been Chair of the Board since July 2011. Julian has chaired the Board's former Information Technology Committee and is currently Chair of the Governance, Nominations and Remuneration Committees. Julian is also a member of the Australasian Mutuals Institute.

For the past 20 years Julian has been employed by the Community and Public Sector Union – SPSF Group in Victoria as the Manager of Media and Communication Services. Prior to 1994 Julian held several media strategy and communication roles, including with the CPSU SPSF Federal Office, the Australian Services Union and the Office of the Leader of the Parliamentary Labor Party in Victoria.



Alexander Hutchison

Board Vice Chair and Chair of Board Risk Committee, Non-Executive 'Elected' Director

Period of Appointment: 4 years to 2018 AGM

Alex has more than 20 years experience in the financial services sector and held senior leadership roles in both ASX listed and not-for-profit organisations. Alex has consistently been active in contributing to a number of industry associations during his career including the FPA, AIST and ABACUS.

Alex's early career was in federal law enforcement with both the Australian Federal Police and the Australian Securities & Investments Commission.

Alex earned a law degree from the University of Technology (Sydney), has a graduate Diploma in Financial Services and attended the Stanford Graduate School of Business.



Karin Hawkins

Chair of Board Audit Committee, Non-Executive 'Appointed' Director

Period of Appointment: 1 year to June 2018

Karin has extensive experience in the financial services industry having successfully held executive roles in risk management, strategy and sales. Karin's past roles include Head of Prudential Supervision – FINCOM; Head of Risk Management – ANZ Wholesale Mortgages; and Executive Manager – Mortgages with ANZ. Karin has also held a number of senior public sector roles including as an adviser to the NSW Premier and Treasurer on financial services regulation.

Karin is also currently a Director of Uniting Financial Services; Director and CEO of Allister Redlands Pty Ltd and Consulting Director – Executive Advisory Services for CEB. Karin holds a Bachelor of Business (UTS); a Master of Public Policy (Sydney); a Master of Arts (MGSM); and is a Graduate member of AICD.



Trevor Donegan

Non-Executive 'Elected' Director

Period of Appointment: 4 years to 2019 AGM

Trevor's professional memberships include: Fellow – Certified Practising Accountants; Fellow and Life Member – Australian Health Services Financial Management Association (AHSFMA); and Member – Australasian Mutuals Institute. Trevor was the President of AHSFMA from 2001–2003 and also held various Association Committee positions between 1994–2006.

Trevor is an experienced Chief Financial Officer and currently provides contract services to the following organisations: Australia Zoo; Mental Health Professionals Network Ltd; MAS Allstruct Pty Ltd; and the Weenthunga Health Network.

Trevor has previously held financial management and accounting roles with Make-a-Wish Foundation of Australia; the National Youth Mental Health Foundation (headspace); Northern Health (Victoria); the Kingston Centre; and the North Western HealthCare Network.

EXECUTIVE MANAGEMENT



Dave Taylor
Chief Executive Officer and Director



Rosanna Argall
Deputy CEO and Company Secretary



Michael Coburn
Chief Sales Officer



Gregory Hammond

Non-Executive 'Appointed' Director

Period of Appointment: 1 year to December 2017

Greg has over 30 years' experience as a lawyer specialising in banking, capital markets and the governance, supervision and regulation of Australia's financial system. He advised mutual financial institutions on governance, treasury and capital issues for many years.

He was a partner of King & Wood Mallesons (and its predecessor firm, Mallesons Stephen Jaques) for over 27 years, and since retiring from the firm in 2014 has taken up a number of roles in academia, the banking and finance sector, charities and not-for-profit organisations.

He served on the governing board of Mallesons Stephen Jaques and the firm's audit committee, and has over 20 years' experience on the boards of not-for-profit organisations. His current roles include being an Honorary Fellow with the Applied Finance Centre at Macquarie University, a director of the Australian College of Theology and a member of the Glebe Administration Board (the trustee of the Diocesan Endowment for the Anglican Diocese of Sydney).



Peter Clarke

Elected Director

Period of Appointment: 3 years to 2019 AGM

Peter is a highly qualified and experienced finance professional and has held a number of senior executive roles at AMP. He was responsible for the development of AMP's funds management exposure to the Industry Super Funds, growing funds under management to over one billion dollars. He was the Managing Director of Cobalt Solutions, the AMP subsidiary responsible for the run-off of AMP's reinsurance subsidiary that it acquired as a result of the purchase of GIO. At the time this was one of the largest run-off portfolios in the world. Peter joined the Board of AMP Credit Union (Quay Credit Union) in early 2008 and was the Chair from December 2014 up until the merger with G&C Mutual Bank.

Peter holds a Bachelor of Economics, is a Certified Practising Accountant, a Fellow of the Finance Institute of Australia, a Senior Associate of the Australian and New Zealand Institute of Insurance and Finance, a Member of the Australian Institute of Company Directors and a Member of the Australian Mutuals Institute.



Steve Helmich

Appointed Director

Period of Appointment: 1 year to 1 September 2018

Dip FP (Diploma Financial Planning), FANZII (Fellow ANZ Insurance Institute), SF Fin (Senior Fellow FINSIA), MAICD (Member Australian Institute of Company Directors) and a graduate of the Advanced Executive Program (Kellogg Institute – Northwestern University).

During his career at AMP (Quay Credit Union), Steve successfully led the financial planning business through periods of reform and change. He was responsible for the strong growth in AMP Financial Planning and Hillross as well as the establishment of the Horizons Financial Planning Academy. He is a past Chairman of the Financial Planning Association of Australia (2002 – 2004), a past Trustee & the Chair of Future2 (the foundation of the Australian Financial Planning Association) and a past Director and Chair of the global Financial Planning Standards Board (FPSB).

Steve is currently Chair of the Affinia Licensee (TAL Group).



Dave Taylor

Chief Executive Officer and Director

Dave Taylor has been the Chief Executive Officer of G&C Mutual Bank since April 2010. Dave has over 25 years of finance industry experience across a wide range of management, consulting and Board roles, including 11 years as a Senior Executive with Credit Union Services Corporation (CUSCAL) and 9 years as Managing Director of Finance Industry Consulting Services.

Previously the holder of University and Government advisory positions between 1984–1989. Dave has held numerous Directorships in the finance industry, including on the Boards of mutual financial institutions, industry superannuation funds and ASX-listed companies, and is currently a Director of Transaction Solutions Limited, CUFSS Limited and Shared Service Partners Pty Ltd. Dave was also previously a Director of the Australian Payments Clearing Association and a Government-appointed member of the Australian Payment Systems Council.



Andrew Prichard
Chief Risk Officer



Anthony Sluiter
Chief Financial Officer



Mike Fenech
Chief Operations Officer

Your Directors present their report on G&C Mutual Bank Limited (hereafter referred to as G&C Mutual Bank) and its controlled entity, together the Group, for the financial year ended 30 June 2017.

G&C Mutual Bank Limited is a public company registered under the *Corporations Act 2001*.

Information on Directors

The name of the Directors in office at any time during or since the end of the year are:

- J F Kennelly - Chair
- A P Hutchison - Vice Chair
- T J Donegan - Director
- A Green - Director [ceased 31 August 2016]
- K V Hawkins - Director
- D A Taylor - Director
- G N Hammond - Director
- P W Clarke - Director [commenced 1 September 2016]
- S J Helmich - Director [commenced 1 September 2016]
- D M Hardman - Director [commenced 1 September 2016, ceased 23 September 2016]

Information on Company Secretary

The Company Secretary is Ms Rosanna Argall - MBA, FCIS. Ms Argall was appointed Company Secretary on 1 June 2005.

Information on Board Meetings

The numbers of meetings of the G&C Mutual Bank's board of directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each Director as a member of the relevant committee were:

	Board		Board Audit Committee		Board Risk Committee		Governance, Nominations & Remuneration Committees	
	E	A	E	A	E	A	E	A
J F Kennelly	7	6	0	0	0	0	4	4
T J Donegan	7	7	0	0	0	0	4	4
G N Hammond	7	5	0	0	5	4	0	0
K V Hawkins	7	6	5	4	5	5	0	0
A P Hutchison	7	7	5	5	0	0	4	4
D A Taylor	7	7	0	0	0	0	3	3
P W Clarke [C]	6	6	0	0	5	5	0	0
S J Helmich [C]	6	5	5	5	0	0	0	0
A Green [R]	1	0	3	3	2	2	0	0
D M Hardman [C&R]	1	0	0	0	0	0	0	0

- E = number of meetings Directors eligible to attend
- A = number of meetings attended during the time the Director held office
- C = commenced as a Director 1 September 2016
- R = ceased as a Director 31 August 2016
- C&R = commenced as a Director 1 September 2016 and ceased as a Director on 23 September 2016

Director Benefits

No Director has received or become entitled to receive, during or since the end of the financial year, a benefit because of a contract made by G&C Mutual Bank 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 38 of the financial report.

Indemnifying Directors, Officers or Auditors

Insurance premiums have been paid to insure each of the Directors and Officers of G&C Mutual Bank against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a Director or Officer of G&C Mutual Bank. 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 additional cover has been provided for the benefit of the auditors of G&C Mutual Bank.

Principal Activities

The principal activities of G&C Mutual Bank during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

Operating Results for the Year

The net profit of G&C Mutual Bank for the year before income tax is \$5,117,000 (2016: \$3,292,000). The net profit after income tax for the year is \$3,600,000 (2016: \$2,302,000).

The results for the financial year were underpinned by:

- An increase in net interest income of 29.21%
- An increase in non interest income of 6.06%
- An increase in loan balances of 34.28%
- An increase in deposits of 25.57%
- An increase in assets of 23.92%
- Growth in members' equity of 23.55%

Dividend on Tier 1 Shares

The dividends paid during the year on permanent preference shares were \$2.06 per share (2016: \$3.69 per share) amounting to a total dividend of \$41,000 (2016: \$74,000).

Significant Changes in State of Affairs

On 1 September 2016, Quay Credit Union Limited transferred all of its business to G&C Mutual Bank. The nature of the business is the provision of retail financial services to members. The fair value of net identifiable assets at the date of the transfer was \$17,500,000 and the purchased goodwill was \$Nil.

On 29 December 2016, the preference shares issued to Australian Mutual T1 Capital Funding Trust No 1 were redeemed in accordance with the terms of the issue agreement. The redemption was redeemed out of profits in accordance with the Corporations Act requirements for redeemable preference shares. The effect is a transfer from retained profits to reserves.

Apart from this, there were no other matter or significant change in the state of affairs of G&C Mutual Bank during the financial year.

Significant Events After the Balance Date

There has been no significant event has arisen after balance date which may affect G&C Mutual Bank's operations, the results of those operations or G&C Mutual Bank's state of affairs.

Likely Developments and Expected Results

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

- (i) the operations of G&C Mutual Bank;
- (ii) the results of those operations; or
- (iii) the state of affairs of G&C Mutual Bank;

in the financial years subsequent to this financial year.

Rounding

The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to G&C Mutual Bank under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/91*. G&C Mutual Bank is an entity to which this instrument applies.

Environmental Regulation

G&C Mutual Bank is not subject to any significant environmental regulation.

Non-Audit Services

The following non-audit services were provided by G&C Mutual Bank's Auditor, PricewaterhouseCoopers. The Directors' are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that the auditor's independence was not compromised.

PricewaterhouseCoopers received or is due to receive the following amounts for the provision of non-audit services:

	2017	2016
	\$	\$
Taxation services	47,629	42,916
Other services	-	22,644
Total	47,629	65,560

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out following the Director's Report.

Signed in accordance with a resolution of the Directors.



J F Kennelly
Chair



A P Hutchison
Vice Chair

26 September 2017

The Board and Management of G&C Mutual Bank are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that the activities of G&C Mutual Bank are continually structured and delivered in a manner that allows us to meet the needs of our members.

To ensure these corporate governance commitments are maintained at all times, appropriate business practices and policies have been adopted by the Board and embedded throughout G&C Mutual Bank.

The Board is continually working to improve our governance policies and practices both at Board level and throughout the organisation. While our mutual values remain constant, we know we must adapt our business practices to ensure we meet our obligations as a responsible financial institution in a rapidly changing world.

The Board has carefully considered and implemented a 'fit and proper' framework in accordance with relevant legislation that endeavours to ensure the Directors and Senior Managers are appropriate persons to lead G&C Mutual Bank. The 'fit and proper' framework deals with matters such as minimum competencies, character, honesty, integrity, professional development, independence and performance.

Minimum Competencies

Board Policy sets out the minimum competencies regarding the personal attributes, character, skills and knowledge that each responsible person must demonstrate at all times. The Board undertakes an annual strategic skills gap analysis to ensure the Board and Management have the right mix of skills.

Director Development

Relevant Board Policies outline the knowledge requirements for Directors and provide guidelines for new Director induction as well as the standards for ongoing Director development. Each Director is expected to achieve a minimum number of hours of skills development per annum.

Independence

Board Policy requires Directors to be independent in both judgement and action. Each Director is required to be independent in his / her thinking which must be maintained over time such that the Director makes his / her own judgement based on what is in the best interests of G&C Mutual Bank. It is each Director's responsibility to maintain and demonstrate his / her independence. The Board assesses each Director's independence by reference to the requirements contained within APRA Prudential Standard CPS 510 and the guidelines set out in the ASX Corporate Governance Committee's Principles of Good Corporate Governance. The Board has also adopted policies that address issues relating to conflicts of interest and the manner in which any such conflicts are required to be reported, managed and disclosed. Other than approved Director remuneration, the Directors do not offer, seek or accept benefits in the performance of their duties.

In the event that a potential conflict of interest arises, the Director in question must withdraw from all debate and decisions concerning the matter unless the Board resolves that the relevant interest or conflict should not disqualify the Director from being present and/or voting.

Performance

Established Board Policy requires an annual review of performance of the Board, its committees and individual Directors. The Board undertakes an annual assessment of its collective performance, the performance of the Chairman and of its committees. Senior Management contribute to this appraisal process which is facilitated by an independent third party. The results are documented with any agreed action plans for the coming year. An assessment carried out in accordance with this process was undertaken during the period September – December 2016.

Structure of the Board

The size and composition of the Board is determined by the Board subject to the limits set out in G&C Mutual Bank's Constitution.

As at 30 June 2017, the Board comprised three Non-Executive (member-elected) Directors, four Non-Executive (appointed) Directors, and one Executive (appointed) Director. All Directors are members of G&C Mutual Bank. Board members are elected by the members or appointed in accordance with G&C Mutual Bank's Constitution. All elected Directors hold a four year term. The Chairman of the Board is an elected Non-Executive Director.

A majority of G&C Mutual Bank's Directors are required to be independent. Independent Directors must not have any interests including personal, business or contractual interests which would undermine their ability to constructively and critically contribute to the work of the Board. This means the Directors must be free from any relationship (for example, a business interest in a supplier or competitor of G&C Mutual Bank) which could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of G&C Mutual Bank.

Refer to page 7 of this financial report for the names of Directors who held office at any time during or since the end of the financial year.

Role of the Board

The Board comprises a majority of Non-Executive Directors who, together with the Chief Executive Officer, have extensive business acumen and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community.

In particular, the Board:

- provides strategic direction including contributing to the development of and approving the corporate strategy;
- monitoring the effectiveness of the corporate governance and risk management frameworks;
- appointing the Chief Executive Officer;
- monitoring the performance and approving the remuneration of the Chief Executive Officer;
- reporting to members and ensuring that all regulatory requirements are met;
- overseeing financial performance and monitoring business performance against the approved Strategic Plan;
- overseeing internal controls and processes for identifying areas of significant business risk;
- monitoring compliance with regulatory and statutory requirements and the implementation of related policies;
- making decisions in relation to major expenditures, acquisitions or merger opportunities; and
- ensuring G&C Mutual Bank's business is conducted ethically and transparently.

Committees of the Board

The Board has established standing committees as described below; the Governance, Nominations & Remuneration Committees, the Board Audit Committee (BAC) and the Board Risk Committee (BRC). These committees consider various matters and make recommendations to the Board. Each committee's authority and responsibilities are set out in their individual committee charters, as approved by the Board. Other special purpose committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other pertinent qualities they bring to each particular committee role.

The Board Audit Committee, Board Risk Committee and the Governance, Nominations & Remuneration Committees meet at least quarterly, or more frequently as required, to consider and make recommendations or decisions on matters within their terms of reference.

Committee Chairs give verbal reports to the Board at the next Board meeting and the Board reviews minutes of all committee meetings. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation at any time during or since the end of the financial year were:

Board Audit Committee (BAC)

The Board Audit Committee is established to oversee the financial reporting and audit frameworks. Its role includes:

- monitoring the integrity of the financial reporting including reviewing draft financial statements;
- reviewing the assurance provided for a sound system of internal controls based on the identification, assessment and management of risks that are significant to the fulfilment of the business objectives;
- overseeing and recommending to the Board matters in relation to the external auditors, including reviewing their qualifications, remuneration, performance and independence;
- monitoring and reviewing the effectiveness of the internal audit function including the Internal Auditor's capabilities, qualifications, resources, planning, scope of work and findings of reviews undertaken;
- familiarity with changes to and introduction of new legislation, accounting standards and prudential standards, practice guides and consultation packages; and
- ensuring that G&C Mutual Bank maintains an internal control framework that is adequate and effective at meeting the applicable prudential requirements.

Board Risk Committee (BRC)

The Board Risk Committee is established to oversee the risk management framework. Its role includes:

- providing the Board with greater oversight of and advice on the risk management and compliance frameworks;
- strengthening the governance, effectiveness and resourcing of the risk management and compliance frameworks;
- advising the Board on the appropriateness of the risk management and compliance frameworks;
- providing the Board with non-executive oversight of the implementation of the risk management and compliance frameworks;
- ensuring that senior management are appropriately implementing the Board's strategy for managing risk;
- assisting the Board formulate its risk appetite;
- making recommendations to the Board concerning the risk appetite and particular risks or risk management practices; and
- promotion of awareness of a risk based culture and the achievement of a balance between risk and reward.

Governance, Nominations & Remuneration Committees

The Governance, Nominations & Remuneration Committees assists the Board in adopting and implementing good corporate governance in the areas of the Chief Executive Officer's appointment, Director and Executive remuneration, Director elections, Director and Executive performance reviews, oversight of the 'fit and proper' framework, monitoring the size and composition of the Board, and developing Executive succession plans.

Governance Standards

The Board acknowledges the need for, and continued maintenance of, the highest standards of corporate governance, and therefore adopts practices including:

- an annual review of Board performance;
- active participation by all Directors and open access to information;
- regular Executive Management presentations;
- the Chief Executive Officer and Chief Financial Officer provide assurance on the accuracy and completeness of financial information and the Chief Risk Officer on the adequacy of risk management processes;
- the Executive Managers provide assurance to the Board that the business of G&C Mutual Bank has been conducted ethically and that all dealings have been conducted transparently with the Board;
- the transparency of information to members through publication of regular notices on G&C Mutual Bank's website – www.gcmutualbank.com.au; and
- the gearing of Board policies towards risk management to safeguard the assets and interests of G&C Mutual Bank and its members.

External Audit

The audit is performed by PricewaterhouseCoopers.

Internal Audit

The internal audit function is undertaken by internal resources.



Auditor's Independence Declaration

As lead auditor for the audit of G&C 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.

This declaration is in respect of G&C Mutual Bank Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Sam Garland', with a long horizontal flourish extending to the right.

Sam Garland
Partner
PricewaterhouseCoopers

Melbourne
26 September 2017

The Directors of G&C Mutual Bank Limited declare that in the opinion of the Directors:

- (a) The financial statements and notes to the accounts of G&C Mutual Bank and the consolidated entity (Group) are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of G&C Mutual Bank and the Group as at 30 June 2017 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001*.
- (b) There are reasonable grounds to believe that G&C Mutual Bank will be able to pay its debts as and when they become due and payable.

Note 2(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



J F Kennelly
Chair

26 September 2017



A P Hutchison
Vice Chair



Independent auditor's report

To the members of G&C Mutual Bank Limited

Our opinion

In our opinion:

The accompanying financial report of G&C Mutual Bank Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's and Group's financial positions as at 30 June 2017 and of their financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Company and Group financial report comprises:

- the Consolidated and Company Balance Sheets as at 30 June 2017
- the Consolidated and Company Statements of Comprehensive Income for the year then ended
- the Consolidated and Company Statements of Changes in Equity for the year then ended
- the Consolidated and Company Statements of Cash Flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of 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.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Directors' Report and Corporate Governance Statement included in the Annual Report, 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 identified above 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 on the other information obtained prior to the date of this auditor's report, 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have 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 the 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_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of G&C Mutual Bank Limited for the year ended 30 June 2017 included on G&C Mutual Bank Limited's web site. The directors of the Company are responsible for the integrity of G&C Mutual Bank Limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from



electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'Sam Garland'.

Sam Garland
Partner

Melbourne
26 September 2017

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
Interest income	5	39,537	42,854	31,462	32,262
Interest expense	6	(17,271)	(22,832)	(14,229)	(15,262)
Net interest income		22,266	20,022	17,233	17,000
Non-interest income	7	4,358	6,583	4,109	4,328
Net operating income		26,624	26,605	21,342	21,328
Impairment expense	8	(516)	(516)	(142)	(142)
Employment expense	8	(9,911)	(9,911)	(8,434)	(8,434)
Office occupancy expense	8	(1,480)	(1,480)	(1,413)	(1,413)
Depreciation and amortisation expense	8	(879)	(879)	(731)	(731)
Information technology and communication expense	8	(2,689)	(2,689)	(2,191)	(2,191)
Other operating expenses	8	(6,032)	(6,013)	(5,139)	(5,125)
Total operating expenses		(21,507)	(21,488)	(18,050)	(18,036)
Profit before income tax		5,117	5,117	3,292	3,292
Income tax expense	9	(1,517)	(1,517)	(990)	(990)
Net profit after tax attributable to members		3,600	3,600	2,302	2,302
Other comprehensive income					
Items that may be reclassified subsequently to profit / (loss):					
Gain on financial assets - available for sale: Recognised in equity	29	-	-	-	-
Total comprehensive income for the year		3,600	3,600	2,302	2,302

The accompanying notes should be read in conjunction with these financial statements

	Note	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
ASSETS					
Cash and deposits at call	11	27,279	27,264	25,460	25,413
Due from other financial institutions	12	374,027	368,631	339,830	338,233
Trade and other receivables	13	3,634	10,513	4,001	5,549
Loans and advances	14,15	675,595	786,741	503,127	520,755
Financial assets - available-for-sale	16	3,018	3,018	1,821	1,821
Loss reserve loan	17	-	-	197	197
Current tax assets		671	671	686	686
Property, plant and equipment	18	1,582	1,582	1,726	1,726
Intangible assets	19	1,154	1,154	1,435	1,435
Deferred tax assets	20	1,154	1,154	865	865
Total Assets		1,088,114	1,200,728	879,148	896,680
LIABILITIES					
Deposits	21	959,864	959,864	764,376	764,376
Trade and other payables	22	13,328	14,131	10,782	10,921
Subordinated debt	23	999	999	994	994
Derivative liabilities	24	97	97	418	418
Other financial liabilities	25	11,407	123,218	19,979	37,372
Provisions	26	2,445	2,445	1,684	1,684
Total Liabilities		988,140	1,100,754	798,233	815,765
Net Assets		99,974	99,974	80,915	80,915
EQUITY					
Preference shares	27	-	-	2,000	2,000
Redeemable share reserve	28	2,262	2,262	124	124
Asset revaluation reserve	29	158	158	158	158
Retained earnings	30	80,192	80,192	78,633	78,633
Contributed equity	31	17,362	17,362	-	-
Total Equity		99,974	99,974	80,915	80,915

The accompanying notes should be read in conjunction with these financial statements

Consolidated and Parent	Contributed Equity	Preference Shares	Redeemable Share Reserve	Asset Revaluation Reserve	Retained Earnings	Total
Note	31	27	28	29	30	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	-	1,996	118	158	76,411	78,683
Net profit after tax	-	-	-	-	2,302	2,302
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	2,302	2,302
Amortisation of preference share discount	-	4	-	-	-	4
Transfer to capital account on redemption of shares	-	-	6	-	(6)	-
Transactions with preference shareholders	-	-	-	-	(74)	(74)
Balance at 30 June 2016	-	2,000	124	158	78,633	80,915
Net profit after tax	-	-	-	-	3,600	3,600
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	3,600	3,600
Amortisation of preference share discount	-	-	-	-	-	-
Transfer to capital account on redemption of shares	-	-	2,000	-	(2,000)	-
Transactions with preference shareholders	-	(2,000)	-	-	(41)	(2,041)
Transfer of business	17,362	-	138	-	-	17,500
Balance at 30 June 2017	17,362	-	2,262	158	80,192	99,974

The accompanying notes should be read in conjunction with these financial statements

	Note	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		40,504	43,818	31,014	31,821
Dividends received		93	93	29	29
Other non-interest income received		4,250	6,475	4,035	4,291
Interest paid		(17,792)	(22,621)	(14,544)	(15,606)
Payments to suppliers and employees		(18,593)	(23,970)	(15,577)	(15,529)
Payments to suppliers on transfer of business		(178)	(178)	(31)	(31)
Income taxes paid		(1,460)	(1,460)	(1,756)	(1,772)
Purchase of investments in other financial institutions		27,649	31,448	(86,726)	(86,731)
Funding of loans and advances		(42,492)	(42,492)	(62,485)	(62,485)
Proceeds from deposits		(3,369)	(3,369)	154,660	154,660
Net cash outflow from operating activities	33 (c)	(11,388)	(12,256)	8,619	8,647
CASH FLOW FROM INVESTING ACTIVITIES					
Net cash acquired in transfer of business		16,747	16,747	-	-
Proceeds from sale of property, plant and equipment		36	36	11	11
Payments for property, plant and equipment		(209)	(209)	(127)	(127)
Purchase of intangible assets		(772)	(772)	(797)	(797)
Payments for equity investments		(750)	(750)	(1,550)	(1,550)
Net cash inflow/(outflow) from investing activities		15,052	15,052	(2,463)	(2,463)
CASH FLOW FROM FINANCING ACTIVITIES					
Purchase from assignment of loans to intercompany securitisation trust		-	94,418	-	(5,450)
Proceeds from repayment of loss reserve loan		196	196	-	-
Payments for redemption of preference shares		(2,000)	(2,000)	-	-
Proceeds from securities from intercompany securitisation trust		-	(93,518)	-	5,602
Dividends paid	10	(41)	(41)	(74)	(74)
Net cash (outflow)/inflow from financing activities		(1,845)	(945)	(74)	78
Net increase in cash held		1,819	1,851	6,082	6,262
Cash and cash equivalents at the beginning of year		25,460	25,413	19,378	19,151
Cash and cash equivalents at the end of year	11	27,279	27,264	25,460	25,413

The accompanying notes should be read in conjunction with these financial statements

NOTE 1: CORPORATE INFORMATION

G&C Mutual Bank Limited, trading as G&C Mutual Bank and Quay Mutual Bank (together referred hereafter as G&C Mutual Bank), is a public company incorporated and domiciled in Australia. The financial report of G&C Mutual Bank and its controlled entity, together the Group (the Consolidated Entity), for the year ended 30 June 2017 was authorised for issuance in accordance with a resolution of the Directors' on 26 September 2017. The Directors' have the power to amend and reissue the financial report. The members are the owners of G&C Mutual Bank.

The registered office is at Level 25, 201 Elizabeth Street, Sydney NSW 2000.

The nature of the operations and principal activities of G&C Mutual Bank are described in the Directors' Report.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Preparation**

The financial report of G&C Mutual Bank is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for financial assets-available-for-sale and derivatives which have been measured at fair value. G&C Mutual Bank is a for-profit entity for the purpose of preparing the financial statements.

The functional and reporting currency is Australian Dollars. G&C Mutual Bank is a company referred to in the Australian Securities and Investments Commission (ASIC) issued instrument, *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

The financial report includes separate financial statements where affected for G&C Mutual Bank as an Individual Entity (the Parent) and the Consolidated Entity consisting of G&C Mutual Bank and its subsidiary for the financial year ended 30 June 2017.

Where necessary, comparative information has been restated to conform to changes to presentation in the current year.

(b) Statement of Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Basis of Consolidation

The consolidated financial statements include those of G&C Mutual Bank and a Special Purpose Vehicle (SGE Funding Trust No. 1, "the securitisation trust" or subsidiary) relating to the issuance of residential mortgage-backed securities (RMBS) that are issued by the securitisation trust and held by G&C Mutual Bank for entering into a repurchase agreement with the Reserve Bank of Australia for short term funding requirements. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The securitisation trust's underlying assets, liabilities, revenues, expenses and cash flows are reported in the Group's Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows. All inter-company transactions and balances have been eliminated on consolidation including any unrealised profit.

(d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to G&C Mutual Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition (continued)

(i) Interest and similar income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial instrument over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts including any fees or costs through the expected life of the financial instrument to the net carrying amount of the financial asset.

Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

(ii) Fee and commission income

G&C Mutual Bank earns fee and commission income from a diverse range of services it provides to its members. Income is brought to account on an accrual basis once a right to receive consideration has been established.

(iii) Dividend income

Dividend income is recorded in non-interest income when G&C Mutual Bank's right to receive the payment is established.

(iv) Rental income

Rental income is accounted for on an accrual basis in line with each rental agreement.

(iv) Other income

Other income is recorded in non-interest income on an accrual basis once a right to receive consideration has been established.

(e) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses (if applicable).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

When G&C Mutual Bank is a lessor, leases are classified as either finance leases or operating leases. Under a finance lease, substantially all the risks and rewards incidental to legal ownership are transferred to the lessee. An operating lease exists where the substantial risks and rewards of the leased assets remain with G&C Mutual Bank.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(f) Leases (continued)**

In its capacity as a lessor, G&C Mutual Bank recognises the assets held under finance leases in the Balance Sheet, as loans at an amount equal to the net investment of the lease.

The recognition of finance income is based on a pattern reflecting a constant periodic return on G&C Mutual Bank's net investment in the finance leases. Finance lease income is included within interest income.

Operating lease revenue is recognised on a straight line basis over the lease term. Operating lease revenue is included within non interest income.

When G&C Mutual Bank is a lessee, it engages in operating leases in which a significant portion of the risks and rewards of ownership are not transferred to the group. Payments made under operating leases (net of any incentives received from the lessor) are charged to operating expenses on a straight-line basis over the period of the lease.

(g) Impairment of assets***(i) Loans and advances***

G&C Mutual Bank assesses at each balance date whether there is objective evidence that a loan and advance to a member, or a group of loans and advances, is impaired. A loan and advance, or a group of loans and advances, are impaired and impairment losses are incurred as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan and advance or group of loans and advances that can be reliably estimated. Objective evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or financial restructure and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and advances, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan or advance's original effective interest rate. The carrying amount of the loan and advance is reduced and the amount of the loss is expensed in the Statement of Comprehensive Income. If the loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or decreased by adjusting the provision for impairment.

Bad debts are written off when identified. Identification may include; bankruptcy, clear out or unlikelihood of recovery. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses in the Statement of Comprehensive Income. If a write-off is later recovered, the recovery is credited to bad debts recovered.

(ii) Property, plant and equipment and intangible assets

G&C Mutual Bank assesses assets for impairment at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, G&C Mutual Bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and the difference is recognised as an impairment loss.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Impairment of assets (continued)

(ii) Property, plant and equipment and intangible assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. The carrying amount of the asset is increased to its recoverable amount.

(iii) Due from other financial institutions

G&C Mutual Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(h) Cash and deposits at call

Cash and deposits at call in the Balance Sheet comprise cash on hand and deposits at call that are readily convertible to known amounts of cash.

Cash and deposits at call are measured at face value. Interest is recognised in the Statement of Comprehensive Income using the effective interest rate method.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and deposits at call net of outstanding bank overdrafts and receivables due from other financial institutions with a contractual maturity within 3 months.

(i) Due from other financial institutions

Receivables due from other financial institutions include deposits and floating rate debt securities with other Authorised Deposit-taking Institutions ("ADIs") and exclude deposits at call with other ADIs. Interest is recognised in the Statement of Comprehensive Income as interest income is accrued.

Deposits and floating rate debt instruments are initially recognised at fair value and are then measured at amortised cost. All other debt securities are measured at amortised cost. This cost is calculated as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of the difference between the initially recognised amount and the maturity amount.

(j) Trade and other receivables

Trade and other receivables include amounts owed to G&C Mutual Bank for services provided, unpresented cheques and deposits not yet banked on the bank account and reimbursements of expenses incurred on behalf of a third party. Trade and other receivables includes interest accrued on deposits due from other financial institutions which is received on maturity. Amounts due for services provided are normally settled within 30 days.

Trade and other receivables are initially recorded at cost including transaction costs. At reporting date, trade and other receivables are measured at amortised cost, less any allowance for impairment.

(k) Loans and advances

Loans and advances, including loans to key management personnel, are assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less allowance for impairment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(l) Investments and other financial assets**

Investments and other financial assets are categorised as either financial assets at fair value or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated each financial year end.

(i) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets, comprising solely of equity securities that are designated as available-for-sale. After initial recognition, available-for-sale securities are measured at fair value with gains or losses being recognised within other comprehensive income until the investment is derecognised or until the investment is deemed to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is recognised in net profit before income tax.

(ii) Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that G&C Mutual Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired;
- G&C Mutual Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party unless under a 'pass-through' arrangement; or
- either (a) G&C Mutual Bank has transferred substantially all the risks and rewards of the asset, or (b) G&C Mutual Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

G&C Mutual Bank documents, at the inception of the hedging transaction, the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. G&C Mutual Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values of hedged items.

(iii) Repurchase Agreements

Securities sold under repurchase agreements are retained in the financial statements where substantially all the risks and rewards of ownership remain with G&C Mutual Bank.

A counterparty liability is recognised within other borrowings. The difference between the sale price and the repurchase price is accrued over the life of the repurchase agreement and charged to interest expense in the income statement.

(m) Interest rate swaps

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the Statement of Comprehensive Income within borrowing costs, together with changes in the fair value of the hedged fixed rate borrowings or deposits attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in the Statement of Comprehensive Income within other income or expenses.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate methodology is used, is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Property, plant and equipment

Each category of property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

(i) Plant and Equipment

Plant and equipment are measured on the historical cost basis less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to G&C Mutual Bank and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they occurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Any decrease in the carrying amount is recognised as an impairment expense in the Statement of Comprehensive Income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

(ii) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the Statement of Comprehensive Income in the year the asset is derecognised.

(iii) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

- Leasehold improvements 5 to 15 years (or the period of the remaining lease term)
- Plant and equipment 3 to 40 years

(o) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance. They are recognised only if it is probable that the assets will generate future benefit to G&C Mutual Bank and are measured at cost.

(i) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT development and software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on developing such products or systems.

IT development and software costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where G&C Mutual Bank has an intention and ability to use the asset. Costs incurred on software maintenance are expensed as incurred.

(ii) Bank Status

Costs incurred in obtaining approval to use the word "bank" (and referenced to as "bank status") will contribute to future period financial benefits through revenue generation and/or cost reduction and were capitalised to bank status costs. Costs capitalised included external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(o) Intangible assets (continued)*****(ii) Bank Status (continued)***

Bank status costs include only those costs directly attributable to the development phase. Costs associated with rebranding to G&C Mutual Bank and associated trademarks were expensed as incurred through other operating expenses.

(iii) Amortisation with Finite Useful Life

Intangible assets are amortised from the point at which the assets are ready for use on a straight line basis over their estimated useful lives as follows:

- IT development and software 3 to 5 years
- Bank status 10 years

(p) Deposits

All deposits are initially recognised at the fair value of the amount received. After initial recognition, deposits are subsequently measured at amortised cost using the effective interest method.

Interest is calculated on the daily balance and posted to the accounts periodically, or on maturity.

(q) Trade and other payables

Trade and other payables are carried at amortised cost and represent accrued interest on deposits, liabilities for unpaid goods and services provided to G&C Mutual Bank prior to the end of financial year and clearing account balances as at balance date. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Subordinated debt

Subordinated debt is initially recognised at fair value, net of transaction costs incurred. Subordinated debt is subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption amount is recognised in profit and loss over the period of the borrowings using the effective interest method.

(s) Provisions

Provisions are recognised when G&C Mutual Bank:

- has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past events;
- it is probable that a future sacrifice of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

(i) Employee benefits***Short-term obligations***

Liabilities for salary, wages and employee benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' service up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. All short-term employee benefit obligations are recognised in accrued expenses and disclosed in Note 22.

Contributions are made by G&C Mutual Bank to an employee's superannuation fund and are charged to the Statement of Comprehensive Income as incurred and are disclosed in employment expenses.

Long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using corporate bond market yields at the end of the reporting period with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in the Statement of Comprehensive Income as Other Comprehensive Income.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Provisions (continued)

(i) Employee benefits

Long-term employee benefit obligations (continued)

Provisions for unpaid employee benefits are derecognised when the benefit is settled, or is transferred to another entity and G&C Mutual Bank is legally released from the obligation and does not retain a constructive obligation.

(ii) Post employment benefits

Post employment benefits may be payable to G&C Mutual Bank Directors' in circumstances where those Directors', under the terms of a Deed, serve as a Director for a continuous period of at least ten years (or seven years where the Director is older than 65 years of age as at the retirement date). The maximum amount of the retirement benefit that can be paid will not be greater than the sum of the last three years of remuneration. The provision is measured as the present value of expected future payments to be made in respect of services provided by Directors' up to the reporting date.

(iii) Make good

A provision has been made for the present value of anticipated future costs of restoration of leased branch premises. The provision includes future cost estimates associated with dismantling furniture and fittings. An asset is created as a result of this provision which is included in leasehold improvements. This asset is amortised over the effective remaining life of each lease. The calculation of this provision requires assumptions which may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each branch is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for branches are recognised in the Balance Sheet by adjusting both the expense or asset (if applicable) and provision.

(t) Goods and services tax (GST)

G&C Mutual Bank is input taxed on all income except for income from commissions and taxable fees. An input taxed supply is not subject to GST collection and the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Balance Sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Business combinations

G&C Mutual Bank applies the acquisition method in accounting for business combinations. Under the Financial Sector (Transfers of Business) Act 1999 all the assets and liabilities of the transferring body, wherever those assets and liabilities are located, become (respectively) assets and liabilities of the receiving body without any transfer, conveyance or assignment.

G&C Mutual Bank recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill (if applicable) is stated after separate recognition of any identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. No goodwill has been recognised. In a combination of mutual entities where only equity interests are transferred, the acquirer shall use the acquisition-date-fair-value of the acquiree's equity interests in place of the acquisition-date-fair-value of the consideration transferred.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**(u) Business combinations (continued)**

As per accounting standard AASB 3 *Business Combinations*, the receiving body in a combination of mutual entities shall recognise the transferring body's net asset as a direct addition to equity in its statement of financial position. Such additions are made to the Contributed Equity account (refer Note 31). The Contributed Equity account is distributable.

Acquisition costs are expensed as incurred.

(v) New and amended accounting standards adopted by the group

There were no new or revised accounting standards applicable for financial years commencing from 1 July 2016 that had any significant impact on the financial statements of G&C Mutual Bank and therefore not adopted.

(w) New accounting standards issued not yet applicable

The following amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2015 or later periods, but have not been adopted. They are not expected to result in significant changes to the Group's accounting policies, unless otherwise noted.

AASB 9 Financial Instruments

AASB 9 will replace AASB 139 Financial Instruments: Recognition and Measurement. It will lead to changes in the accounting for financial instruments, primarily relating to:

Financial assets: A financial asset is measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the asset gives rise to cash flows on specified dates that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are measured at fair value.

Changes in the fair value of debt instruments that:

- (i) have cash flows solely of principal and interest, and
- (ii) are held in a business model managed both to collect cash flows and for sale, are recognised in other comprehensive income until sold, when they are recycled to the income statement.

Interest and impairment are recognised directly in profit or loss. Changes in the fair value of equity investments that are not part of a trading activity may be reported directly in other comprehensive income, but upon realisation, those accumulated changes are not recycled to the income statement. Dividends on such investments are recognised in profit or loss, unless they clearly represent a recovery of the cost of the investment. Changes in the fair value of all other financial assets carried at fair value are reported in the income statement. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the assets measured at amortised cost versus fair value compared with AASB 139.

Financial liabilities: The component of change in fair value of financial liabilities designated at fair value through profit or loss due to an entity's own credit risk are presented in other comprehensive income, unless this creates an accounting mismatch. If a mismatch is created or enlarged, all changes in fair value (including the effects of credit risk) are presented in profit or loss.

Impairment: The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is recognised for expected credit losses (ECL), resulting from possible defaults within the next 12 months. Subsequently, when there is a significant increase in credit risk, an allowance is required for ECL resulting from possible defaults over the expected life of the financial instrument. The assessment of credit risk, and the estimation of ECL, are to be unbiased and probability-weighted, and incorporates all available information relevant to the assessment, including information about past events, current conditions and reasonable and supportable information about future events and economic conditions at the reporting date. As a result, the impairment allowance is intended to be more forward-looking.

Hedge accounting: Hedge accounting is more closely aligned with financial risk management. As a general rule it will be easier to apply hedge accounting going forward.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) New accounting standards issued not yet applicable (continued)

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018.

G&C Mutual Bank has carried out a preliminary assessment of the impact of the new standard. The requirements for general hedge accounting have been simplified for hedge effectiveness testing and are not expected to impact materially G&C Mutual Bank 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 is currently estimated to be an increase in collective provision by between \$100,000 and \$150,000. Adjustments during the transition process will be recognised in opening retained earnings.

AASB 15 Revenue from Contracts with Customers

AASB 15 specifies the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. AASB 15 will replace AASB 118 Revenue, which covers contracts for goods and services, and AASB 111 Construction Contracts, which covers construction.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018.

Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the G&C Mutual Bank's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments.

AASB 16 Leases

AASB 16 will primarily affect the accounting by lessees and will result in the recognition of current operating leases for the commercial property leases and equipment (refer Note 35 (b)) on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019.

G&C Mutual Bank is currently assessing the impact of the new requirements on the consolidated financial statements and the materiality of this change.

AASB 2016-1 Amendments to Australian Accounting Standards- Disclosure Initiative: Amendments to AASB 112.

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost

AASB 112 is effective for annual reporting periods beginning on or after 1 January 2017.

When these amendments are first adopted for the year ending 30 June 2018 there will be no material impact on the financial statements of G&C Mutual Bank.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 107 is effective for annual reporting periods beginning on or after 1 January 2017.

When these amendments are first adopted for the year ending 30 June 2018 there will be no material impact on the financial statements of G&C Mutual Bank.

NOTE 3: FINANCIAL RISK MANAGEMENT**Overview of Risk Governance**

The risk governance structure is the ultimate responsibility of the Board and its sub-committees including the Board Risk Committee, the Board Audit Committee and the Board Governance, Nominations & Remuneration Committee.

The Board delegates responsibilities to the Chief Executive Officer, Executive Management and Management, whilst acknowledging that it retains overall responsibility for risk governance.

The Board plays a critical role in the identification and ongoing management of material risks faced by G&C Mutual Bank and defines and sets risk appetite in respect of these risks.

The Board approves and regularly reviews a suite of policies that include reporting mechanisms and specific limits and targets which management adhere to in exercising their delegated authority. These policies are designed to ensure effective risk management and compliance with applicable regulation.

G&C Mutual Bank's 'Three Lines of Defence' risk governance model sets out the responsibilities of each of Management, Group Risk and Internal Audit. G&C Mutual Bank has established Management Committees which are responsible for managing risk and for ensuring that Board and Management Policies are adhered to. These Committees meet on a monthly basis and include the Asset and Liability Committee, the Operational Risk Management Committee and the Credit Risk Management Committee.

G&C Mutual Bank holds the following financial instruments by category:

	Consolidated	Parent	Consolidated	Parent
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Cash and cash equivalents	27,279	27,264	25,460	25,413
Due from other financial institutions	374,027	368,631	339,830	338,233
Trade and other receivables	3,634	10,513	4,001	5,549
Loans and advances	675,595	786,741	503,127	520,755
Financial assets - available-for-sale	3,018	3,018	1,821	1,821
Loss reserve loan	-	-	197	197
	1,083,553	1,196,167	874,436	891,968
Financial Liabilities				
Deposits	959,864	959,864	764,376	764,376
Trade and other payables	13,328	14,131	10,782	10,921
Subordinated debt	999	999	994	994
Other financial liabilities	11,407	123,218	19,979	37,372
Derivative liabilities	97	97	418	418
	985,695	1,098,309	796,549	814,081

(a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows. The Board has established limits on Value at Risk (VaR) and sensitivity for stipulated periods. Assets and liabilities are placed into the maturity bucket where the contract or agreement is due to be repaid or when the interest rate may be refixed or renegotiated. Positions are monitored and hedging strategies are considered on a daily basis to ensure positions are maintained within the established limits.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(a) Interest Rate Risk (continued)

Existing interest rate swaps are designated as hedging instruments in a portfolio hedge accounting relationship against the fair value interest rate risk of the underlying portfolio of fixed rate loans. G&C Mutual Bank makes use of monthly repricing buckets out to 1 year and then six-monthly repricing buckets from 1 year to 5 years. The hedged items are designated into the repricing buckets based on the expected repricing date. These dates are estimated through changes in interest rate and prepayment behaviour.

Interest rate swaps are also designated as hedging instruments in a portfolio hedge accounting relationship against the fair value interest rate risk of fixed term deposits. G&C Mutual Bank accepts fixed term deposits that typically pay interest either on maturity if the deposit is for a period of less than one year or annually and then on maturity if the deposit is for greater than one year to maturity. G&C Mutual Bank makes use of monthly repricing buckets out to 1 year and then six-monthly repricing buckets from 1 year to 5 years. The hedged items are designated into the bucket in which the interest is payable.

The gain (or loss) on the interest rate swap portfolio is as follows:

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
Hedging Instrument	321	321	176	176
Hedged Item attributable to the hedged risk	(320)	(320)	(175)	(175)

(i) Value at Risk (VaR)

VaR is a statistical measure of the potential loss expected due to a change in market conditions arising from currently held positions, given a certain confidence level and holding period. VaR is presented as a dollar amount and is based on historically observed volatility. The holding period represents the implied liquidation period of the portfolio. It is the number of days required to either liquidate the portfolio or hedge the risk within the portfolio. The observation period is the number of days over which the previous market data (interest rates) is observed to predict the future. The 99% confidence level is the degree of confidence with which the VaR number will not be exceeded. A 99% confidence level implies that for 99 out of 100 observations, the market value based loss will not be greater than the VaR number.

As a normal distribution is used, the standard deviation of the portfolio is multiplied by 2.33 to achieve a 99% confidence level. A proxy set of interest rates must be used to estimate the changes in the yield curve. The proxy curve used by G&C Mutual Bank is the interbank yield curve constructed from the official cash rate, BBSW and swap rates.

Since VaR is an integral part of G&C Mutual Bank's interest rate risk management, VaR limits have been established for all non-trading operations and exposures are reviewed monthly against the limits.

A 20 day 99% VaR measure has been used to capture the interest rate risk exposures.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
20 day 99% confidence				
VaR exposure at 30 June	143	143	565	565
Average monthly VaR exposure	320	320	368	368
Maximum monthly VaR exposure	568	568	568	568
Minimum monthly VaR exposure	128	128	192	192

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)**(a) Interest Rate Risk (continued)****(ii) Prepayment Risk**

Prepayment risk is the risk that G&C Mutual Bank will incur a financial loss because its members and counterparties repay or request repayment earlier or later than expected. G&C Mutual Bank is not exposed to abnormal prepayment risk.

(b) Credit Risk

Credit risk is the risk that G&C Mutual Bank will incur a loss when its members, clients or counterparties fail to discharge their contractual obligations. G&C Mutual Bank manages and controls credit risk by setting limits for individual counterparties and industry concentrations and monitoring these exposures.

G&C Mutual Bank has established a collections review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The collections review process allows G&C Mutual Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Where possible, G&C Mutual Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously review renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

(i) Concentration of loans

There are no loans to individuals or related groups of individuals which exceed 10% of loans and advances in aggregate.

(ii) Maximum exposure to credit risk

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
Credit risk exposures relating to on balance sheet assets:				
Cash and cash equivalents	27,279	27,264	25,460	25,413
Due from other financial institutions	374,027	368,631	339,830	338,233
Trade and other receivables	3,634	10,513	4,001	5,549
Loans and advances	676,026	787,172	503,558	521,186
Financial assets - available for sale	3,018	3,018	1,821	1,821
Loss reserve loan	-	-	197	197
Total on balance sheet	1,083,984	1,196,598	874,867	892,399
Credit risk exposures relating to off balance sheet assets:				
Undrawn loan commitments	90,004	90,004	65,823	65,823
Other commitments	9,158	9,158	11,003	11,003
Total on and off balance sheet assets	1,183,146	1,295,760	951,693	969,225

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(iii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the member. Policies are in place with regards to the acceptability of types of collateral and valuation parameters.

The main type of collateral obtained is mortgages over residential properties. Management monitors the market value of residential properties by using the information and analytics services of an independent external data provider.

It is G&C Mutual Bank's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

During the financial period, G&C Mutual Bank has acquired \$Nil (2016: \$Nil) of real estate and other assets through the enforcement of security. As at period-end, there are no such assets owned by G&C Mutual Bank. G&C Mutual Bank does not take physical possession of properties or other assets held as collateral and uses external agents to realise the value as soon as practicable, generally at auction, to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

(iv) Impairment assessment

The main considerations for loan impairment assessment are as follows:

- whether any payments of principal or interest are overdue;
- whether there are any known difficulties in the cash flows of counterparties; or
- whether there have been any infringements of the original terms of the contract.

G&C Mutual Bank addresses impairment assessment in two areas: individually assessed provisions and collectively assessed provisions.

(v) Individually assessed provisions

Individually assessed provisions are determined for loans identified as being impaired, in that they are unlikely to be repaid in full and the value of the collateral, where applicable, is not expected to be enough to cover the outstanding amount.

Credit facilities are monitored and assessed on a regular basis to identify non-performing credit facilities which exhibit key stress factors that act as triggers for facilities to be included on a Credit Risk Management Report. G&C Mutual Bank uses sound credit judgement to recognise, measure and provide for each credit facility deemed a Credit Risk Management account.

(vi) Collectively assessed provisions

Collective provisions are based on average loss experience where individual estimations of the potential loss have not been made. These include both objective evidence provisions where there is evidence of impairment and provisions for incurred but not reported losses due to reporting delays. Collective provisions are generally determined on portfolios of loans with similar risk characteristics.

G&C Mutual Bank adopts a probability of default / loss given default model to assess the adequacy of the collective provision for the home loan portfolio given the absence of write-offs over the past 10 years.

G&C Mutual Bank adopts a loss rate model to assess the adequacy of the collective provision for all other credit facilities given the relative size of those portfolios and the simplicity of the model.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(vii) Analysis of age of financial assets that are past due but not impaired

Parent and Consolidated

30 June 2017	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	TOTAL 2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and advances					
Personal Loans	632	325	157	506	1,620
Mortgage Loans	25	1,755	530	1,027	3,337
Commercial Loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
Revolving Credit	68	13	15	77	173
Total	725	2,093	702	1,610	5,130

Parent and Consolidated

30 June 2016	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	TOTAL 2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and advances					
Personal Loans	101	139	10	177	427
Mortgage Loans	-	626	513	2,281	3,420
Commercial Loans	-	-	-	-	-
Finance Leases	-	-	-	48	48
Revolving Credit	113	21	11	46	191
Total	214	786	534	2,552	4,086

(viii) Analysis of financial assets individually determined to be impaired

Parent and Consolidated

	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets	Gross Impaired Assets	Individually Assessed Provisions	Net Impaired Assets
	2017	2017	2017	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Loans and advances	198	78	120	133	101	32
Financial assets individually assessed as impaired	198	78	120	133	101	32

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk (continued)

(ix) Credit quality of financial assets

The credit quality of financial assets with or issued by other authorised ADI's that are neither past due nor impaired can be assessed, with reference to external long term credit ratings (if available):

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
AA	46,459	41,048	36,868	35,226
A	176,717	176,717	110,949	110,949
BBB	113,289	113,289	142,599	142,599
Unrated	63,694	63,694	72,945	72,945
Total	400,159	394,748	363,361	361,719

(c) Liquidity Risk

Liquidity risk is the risk that G&C Mutual Bank will be unable to meet its payment obligations when they fall due under normal and stressed circumstances. To limit this risk, management has internal securitisation arrangements in place in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows.

G&C Mutual Bank is required to maintain at least nine percent of its liabilities in a portfolio of liquid assets known as Minimum Liquidity Holdings (MLH) that can be easily liquidated in the event of an unforeseen interruption to cash flow. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to G&C Mutual Bank. The most important of these is to maintain minimum regulatory limits on the ratio of MLH to total liabilities, set to reflect market conditions.

The Board has determined a target MLH liquidity ratio of 12%. In the event that G&C Mutual Bank's MLH liquidity ratio falls below 12% specific remedial measures are required to be taken by the Board and management.

The MLH ratio at 30 June 2017 was 20.72% (2016: 17.98%). The average MLH ratio during the period was 20.27% (2016: 19.96%), with the highest end of month MLH ratio during the year being 22.50% (2016: 22.32%) and the lowest end of month MLH ratio during the year being 18.38% (2016: 15.20%).

Maturities of financial liabilities

The table below analyses G&C Mutual Bank's financial liabilities into relevant maturity groupings as follows:

- (a) based on their contractual maturities
- (b) based on the remaining period to the expected settlement date.

The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (continued)

Consolidated

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	418,612	298,391	207,483	35,378	-	-	959,864
Trade & other payables	410	8,917	2,028	1,237	736	-	13,328
Subordinated debt	-	(1)	1,000	-	-	-	999
Derivative liabilities	-	8	53	36	-	-	97
Other financial liabilities	-	11,407	-	-	-	-	11,407
Total financial liabilities	419,022	318,722	210,564	36,651	736	-	985,695
Commitments	-	7,204	-	-	-	82,800	90,004
Total commitments	-	7,204	-	-	-	82,800	90,004

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No Maturity	Total
As at 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	271,635	272,725	194,960	25,056	-	-	764,376
Trade & other payables	115	6,546	1,921	1,108	1,092	-	10,782
Subordinated debt	-	20	-	-	974	-	994
Derivative liabilities	-	15	58	345	-	-	418
Other financial liabilities	-	19,979	-	-	-	-	19,979
Total financial liabilities	271,750	299,285	196,939	26,509	2,066	-	796,549
Commitments	-	18,636	-	-	-	46,915	65,551
Total commitments	-	18,636	-	-	-	46,915	65,551

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (continued)

Parent

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
As at 30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	418,612	298,391	207,483	35,378	-	-	959,864
Trade & other payables	-	4,925	7,233	1,237	736	-	14,131
Subordinated debt	-	(1)	1,000	-	-	-	999
Derivative liabilities	-	8	53	36	-	-	97
Other financial liabilities	-	11,407	-	-	111,811	-	123,218
Total financial liabilities	418,612	314,730	215,769	36,651	112,547	-	1,098,309
Commitments	-	7,204	-	-	-	82,800	90,004
Total commitments	-	7,204	-	-	-	82,800	90,004

Financial Liabilities	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No maturity	Total
As at 30 June 2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deposits	271,690	272,725	194,960	25,001	-	-	764,376
Trade & other payables	117	6,683	1,921	1,108	1,092	-	10,921
Subordinated debt	-	20	-	-	974	-	994
Derivative liabilities	-	15	58	345	-	-	418
Other financial liabilities	-	19,979	-	-	17,393	-	37,372
Total financial liabilities	271,807	299,422	196,939	26,454	19,459	-	814,081
Commitments	-	18,636	-	-	-	46,915	65,551
Total commitments	-	18,636	-	-	-	46,915	65,551

NOTE 3: FINANCIAL RISK MANAGEMENT (Continued)**(d) Operational Risk**

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. G&C Mutual Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, G&C Mutual Bank is able to manage these risks. Controls include effective segregation of duties, access to systems, authorisation and reconciliation procedures, staff training and assessment processes including the use of internal audit.

G&C Mutual Bank manages these risks on a daily basis through the operational responsibilities of Executive and Senior Management and the functioning of the Operational Risk Management Committee under policies approved by the Board after recommendation from the Board Risk Committee covering specific areas, such as outsourcing risk, fraud risk and business continuity risk.

(e) Capital Management

G&C Mutual Bank maintains an actively managed capital base to cover risks inherent in its business. The adequacy of G&C Mutual Bank's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority (APRA).

The primary objectives of G&C Mutual Bank's capital management policy are to ensure that G&C Mutual Bank complies with externally imposed capital requirements and that G&C Mutual Bank maintains healthy capital ratios in order to support its activities.

G&C Mutual Bank does not calculate and determine its minimum capital needs by allocating a specific value or 'capital charge' to each type of risk. Rather, the Board has resolved that G&C Mutual Bank will maintain, based on the outcomes of its annual capital planning processes, a specified 'internal minimum' capital ratio.

Under Basel III rules, APRA require authorised deposit-taking institutions to have a minimum ratio of capital to risk weighted assets of eight percent, with at least six percent of this capital in the form of Tier 1 capital and at least 4.5 percent of this capital in the form of Common Equity Tier 1 capital. In addition, APRA imposes ADI-specific minimum capital ratios which may be higher than these levels.

The Prudential Standard sets out the essential characteristics that an instrument must have to qualify as Tier 1 or Tier 2 capital for inclusion in the capital base for assessing Level 1 and Level 2 capital adequacy.

Tier 1 capital comprises the highest quality capital components. Tier 2 capital includes other components that, to varying degrees, fall short of the quality of Tier 1 capital but nonetheless contribute to the overall strength of an institution as a going concern.

For capital adequacy purposes, the capital base is defined as the sum of Tier 1 and Tier 2 capital after all specified deductions and adjustments, subject to the various limits that apply.

During the past year G&C Mutual Bank has complied in full with all its externally imposed capital requirements.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on G&C Mutual Bank and that are believed to be reasonable under the circumstances.

In the process of applying G&C Mutual Bank's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

(i) Impairment of loans and advances and amounts due from other financial institutions

G&C Mutual Bank reviews its loan portfolio and amounts due from other financial institutions at each reporting date to assess whether an allowance for impairment should be recorded in the Statement of Comprehensive Income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Furthermore management assesses the recoverability of the asset based on such factors as the value of the security held.

In addition to specific allowances against individually significant loans and advances, G&C Mutual Bank also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as deterioration in industry, as well as identified structural weaknesses or deterioration in cash flows.

(ii) Post employment benefits

G&C Mutual Bank estimates the provision for post employment benefits using the present value of expected future payments to be made in respect of services provided by employees and Directors' up to the reporting date.

(iii) Intangible Assets with a definite life

G&C Mutual Bank has determined that certain costs associated with Australian Prudential Regulation Authority (APRA) consent to use the term 'bank' under Section 66 of the *Banking Act 1959* has given rise to the creation of an intangible asset.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
NOTE 5: INTEREST INCOME				
Cash and cash equivalents	500	415	459	423
Due from other financial institutions	10,333	10,333	8,301	8,301
Loans and advances	28,705	28,705	22,700	22,700
Interest income accrued on impaired financial assets	(1)	(1)	(2)	(2)
Interest income on notes receivable from securitisation trust	-	3,402	-	836
Other interest income	-	-	4	4
Total interest income	39,537	42,854	31,462	32,262

NOTE 6: INTEREST EXPENSE

Deposits	16,874	16,874	13,883	13,883
Other financial liabilities	301	301	237	237
Loans assigned to securitisation trust	-	5,561	-	1,032
Subordinated debt	78	78	82	82
Amortisation of costs on subordinated debt issue	4	4	4	4
Amortisation of preference share discount	-	-	4	5
Other interest expense	14	14	19	19
Total interest expense	17,271	22,832	14,229	15,262

NOTE 7: NON-INTEREST INCOME

Loan fees	914	914	888	888
Transaction fees	2,557	2,557	2,172	2,172
Insurance and other commissions	267	267	321	321
Bad debts recovered	71	71	112	112
Gain on sale of property, plant & equipment	15	15	8	8
Rental income	8	8	7	7
Dividend income	93	93	29	29
ATM income	419	419	541	541
Other non-interest income	14	2,239	31	250
Total non-interest income	4,358	6,583	4,109	4,328

Other non-interest income earned by the Parent includes surplus income distributions from the subsidiary.

NOTE 8: OPERATING EXPENSES

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
<i>Impairment expense</i>				
Change in provision for impairment of loans & advances	109	109	32	32
Impairment of loan loss reserve	-	-	3	3
Bad debts written off	407	407	107	107
	516	516	142	142
<i>Employment expense</i>				
Salaries and wages	7,922	7,922	7,071	7,071
Superannuation expense	609	609	574	574
Other employee benefits expense	1,380	1,380	789	789
	9,911	9,911	8,434	8,434
<i>Office occupancy expense</i>				
Rental expense on operating leases	894	894	855	855
Other office occupancy costs	586	586	558	558
	1,480	1,480	1,413	1,413
<i>Depreciation and amortisation expense</i>				
Depreciation of property, plant & equipment	320	320	290	290
Amortisation of intangible assets	559	559	441	441
	879	879	731	731
<i>Information technology and communications expense</i>				
Hardware and software maintenance	1,855	1,855	1,370	1,370
Communications expense	358	358	375	375
Other information technology expense	476	476	446	446
	2,689	2,689	2,191	2,191
<i>Other expenses</i>				
Marketing and development	315	315	242	242
Loss on disposal of assets	16	16	10	10
Board and committee expenses	528	528	625	625
Membership protection and benefits	1,036	1,036	934	934
General administration expenses	927	908	775	761
Loan administration costs	583	583	591	591
Member transaction costs	2,152	2,152	1,584	1,584
Other operating expenses	475	475	378	378
	6,032	6,013	5,139	5,125
Total operating expenses	21,507	21,488	18,050	18,036

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
NOTE 9: INCOME TAX				
(a) Income tax expense				
Current tax	1,674	1,674	1,086	1,086
Deferred tax	(157)	(157)	(99)	(99)
Adjustment for current tax of prior years	-	-	3	3
Total	1,517	1,517	990	990
Deferred income tax (revenue) / expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets	(156)	(156)	(101)	(101)
(Decrease) / increase in deferred tax liabilities	(1)	(1)	2	2
Total	(157)	(157)	(99)	(99)
(b) Numerical reconciliation of income tax expense to prima facie tax payable:				
Net profit before tax	5,117	5,117	3,292	3,292
Tax at the Australian tax rate of 30% (2016:30%)	1,535	1,535	988	988
<i>Add tax effect of:</i>				
Fully franked dividends received	(12)	(12)	(4)	(4)
Non deductible entertainment expenditure	8	8	7	7
(Over)/Under-provision for income tax in prior year	-	-	3	3
Other	(14)	(14)	(4)	(4)
Total income tax expense	1,517	1,517	990	990

NOTE 10: DIVIDENDS PAID**(a) Recognised amounts**

Dividends on preference shares are payable in arrears on 30 September, 31 December, 31 March and 30 June in each year that the permanent preference shares are on issue. Total dividends paid for the year ending 30 June 2017 were \$41,000 (2016: \$74,000).

The payment of dividends on permanent preference shares is at the discretion of the Directors and, if paid, is on a quarterly basis at a floating rate equal to three month Australian Financial Markets Association (AFMA) BBSW reference rate plus a margin of 2.99% per annum multiplied by (1-T) where T is the prevailing Australian corporate tax rate at the time of payment of the dividend.

(b) Tax rate used

The tax rate at which paid dividends have been franked is 30% (2016: 30%).

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
NOTE 10: DIVIDENDS PAID (Continued)				
(c) Balance of franking account at year-end adjusted				
<i>The amount of franking credits available for the subsequent financial year are:</i>				
Franking account balance as at the beginning of the financial year at 30% (2016:30%)	20,574	20,574	19,507	19,507
Franking credits transferred on transfer of business	5,405	5,405	-	-
Franking credits that will arise from payment of income tax payable as at the end of the financial year	2,461	2,461	1,086	1,086
Franking debits that will arise from payment of dividends as at the end of the financial year	(18)	(18)	(32)	(32)
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	40	40	13	13
Franking account balance for future reporting periods	28,462	28,462	20,574	20,574

NOTE 11: CASH AND DEPOSITS AT CALL

Cash on hand	1,147	1,147	1,929	1,929
Deposits at call	26,132	26,117	23,531	23,484
Total cash and deposits at call	27,279	27,264	25,460	25,413

NOTE 12: DUE FROM OTHER FINANCIAL INSTITUTIONS

Deposits with authorised deposit-taking institutions	106,546	101,150	154,198	152,601
Debt securities issued by authorised deposit-taking institutions	267,481	267,481	185,632	185,632
Total due from other financial institutions	374,027	368,631	339,830	338,233
<i>Maturity analysis</i>				
Not longer than 12 months	196,876	191,480	234,898	233,301
Longer than 12 months	177,151	177,151	104,932	104,932
Total due from other financial institutions	374,027	368,631	339,830	338,233

NOTE 13: TRADE AND OTHER RECEIVABLES

Interest receivable on deposits due from other financial institutions	1,588	1,580	2,159	2,148
Interest receivable on loans and advances	-	-	47	47
Intercompany receivable from the securitisation trust	-	6,446	-	1,559
Sundry debtors	147	591	276	276
Clearing accounts	1,599	1,596	1,206	1,206
Prepayments	300	300	313	313
Total trade and other receivables	3,634	10,513	4,001	5,549

With the exception of the intercompany receivable from the securitisation trust the majority of the above amounts are expected to be recovered within 12 months of the balance sheet date.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 14: LOANS AND ADVANCES**Loans and advances**

Personal Loans	45,147	45,147	25,750	25,750
Mortgage Loans	605,135	605,135	463,201	463,201
Commercial Loans	14,908	14,908	5,663	5,663
Finance Leases	-	-	209	209
Revolving Credit	10,883	10,883	8,261	8,261

Total loans and advances	676,073	676,073	503,084	503,084
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Notes receivable from the securitisation trust	-	111,146	-	17,628
Fair value of loans in hedging relationship	131	131	474	474

Less total provision for impairment	(609)	(609)	(431)	(431)
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Net loans and advances	675,595	786,741	503,127	520,755
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(a) Maturity Analysis

Not longer than 3 months	19,446	19,446	9,505	9,505
Longer than 3 months and not longer than 12 months	1,238	1,238	335	335
Longer than 12 months and not longer than 5 years	55,621	55,621	22,046	22,046
Longer than 5 years	599,768	599,768	471,198	471,198

Total loans and advances	676,073	676,073	503,084	503,084
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(b) Security dissection

Secured by mortgage over real estate	619,661	619,661	467,485	467,485
Partly secured by goods mortgage	9,357	9,357	9,379	9,379
Wholly unsecured	47,055	47,055	26,220	26,220

Total loans and advances	676,073	676,073	503,084	503,084
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G&C Mutual Bank accepts a number of methods for valuing the fair value of collateral supporting loans. Real estate is valued by assessing the current market value using information provided by suitably qualified, independent accredited valuers. Motor vehicles are valued by reference to an independent valuation guide.

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the loan to valuation ratio on loans secured by mortgages over real estate, on a portfolio basis is as follows:

(c) Loan to valuation ratio

Loan to valuation ratio of less than 80%	534,601	534,601	380,220	380,220
Loan to valuation ratio of more than 80% but mortgage insured	37,171	37,171	39,953	39,953
Loan to valuation ratio of more than 80% but not mortgage insured	47,889	47,889	47,312	47,312

Total loans secured by mortgage over real estate	619,661	619,661	467,485	467,485
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	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 15: IMPAIRMENT OF LOANS AND ADVANCES

(a) Provisions for impairment

Opening balance	431	431	399	399
Impairment expense:				
Personal Loans	180	180	18	18
Mortgage Loans	(13)	(13)	18	18
Commercial Loans	19	19	-	-
Finance Leases	(4)	(4)	(9)	(9)
Revolving Credit	(4)	(4)	5	5
Closing balance	609	609	431	431

Key assumptions in determining the provision for impairment
Refer to Note 2(g) on impairment of loans and advances.

(b) Impairment allowance for loans and advances

	Parent and Consolidated					TOTAL 2017 \$'000
	Personal Loans 2017 \$'000	Mortgage Loans 2017 \$'000	Commercial Loans 2017 \$'000	Finance Leases 2017 \$'000	Revolving Credit 2017 \$'000	
	At 1 July 2016	253	122	11	4	
Charge for the year	158	(49)	18	(4)	(14)	109
Recoveries	58	-	-	6	7	71
Amounts written off	(58)	-	-	(6)	(7)	(71)
Interest accrued on impaired loans	-	-	-	-	-	-
Transfer of business	22	36	1	-	10	69
At 30 June 2017	433	109	30	-	37	609
Individual impairment	103	-	-	-	-	103
Collective impairment	330	109	30	-	37	506
	433	109	30	-	37	609
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	148	-	-	-	-	148

NOTE 15: IMPAIRMENT OF LOANS AND ADVANCES (Continued)

(b) Impairment allowance for loans and advances (continued)

	Parent and Consolidated					
	Personal Loans	Mortgage Loans	Commercial Loans	Finance Leases	Revolving Credit	TOTAL
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
At 1 July 2015	235	104	11	13	36	399
Charge for the year	18	18	-	(9)	5	32
Recoveries	38	-	-	1	24	63
Amounts written off	(38)	-	-	(1)	(24)	(63)
Interest accrued on impaired loans	-	-	-	-	-	-
At 30 June 2016	253	122	11	4	41	431
Individual impairment	125	-	-	-	-	125
Collective impairment	128	122	11	4	41	306
	253	122	11	4	41	431
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	139	-	-	-	-	139

	Consolidated	Parent	Consolidated	Parent
	2017 \$'000	2017 \$'000	2016 \$'000	2016 \$'000
(c) Impairment expense				
Movement in provisions for impairment	109	109	32	32
Bad debts written off directly:				
Personal Loans	347	347	38	38
Mortgage Loans	-	-	-	-
Commercial Loans	-	-	-	-
Finance Leases	-	-	14	14
Revolving Credit	60	60	55	55
Total impairment expense	516	516	139	139

The total of restructured loan balances for the year ending 30 June 2017 is \$33,683 (2016: \$328,346).

A restructured loan is a loan facility where the original contractual terms have been modified on non-commercial terms to provide concessional changes for reasons relating to financial difficulties of the borrower. Where the loan after restructuring remains doubtful and it is not well secured the loan shall be subject to impairment. Loans will only be recognised as restructured once the customer has formally agreed to the new terms.

(d) Interest and other revenue recognised and foregone

Interest foregone on non-accrual and restructured loans	1	1	2	2
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There was no revenue on real estate or other assets acquired via enforcement of security during the year.

	Consolidated	Parent	Consolidated	Parent
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000

NOTE 16: FINANCIAL ASSETS - AVAILABLE-FOR-SALE

TransAction Solutions Limited (TAS)	338	338	271	271
SocietyOne Holdings Pty Ltd	2,250	2,250	1,500	1,500
Shared Service Partners Pty Ltd	50	50	50	50
Cuscal Limited	380	380	-	-
Total available-for-sale	3,018	3,018	1,821	1,821

The shareholding in TransAction Solutions Limited (TAS) is measured at fair value based on the last applicable market transaction of these shares. The shareholdings in SocietyOne Holdings Pty Ltd, Shared Service Partners Pty Ltd and Cuscal Limited are measured at cost as the fair value could not be measured reliably, due to the lack of an actively traded market for these holdings.

NOTE 17: LOSS RESERVE LOAN

Preference share loss reserve loan	-	-	197	197
Total loss reserve loan	-	-	197	197

On 21 June 2006, G&C Mutual Bank issued 20,000 preference shares, each having an issue price of \$100, to the Australian Mutual T1 Capital Funding Trust No 1 (AMCFT). On the same date G&C Mutual Bank advanced an unsecured loan to AMCFT for the amount of \$200,000. The principal amount of the preference share loss reserve loan is being treated, for accounting purposes, as an unpaid component of the \$2 million preference share issue. In the event that G&C Mutual Bank does not pay a dividend on the preference shares, G&C Mutual Bank is not required to pay, or deliver to the holder of those shares, any amounts or benefits. AMCFT is not required to make any repayments of principal on the loan until the borrowers have fully satisfied certain payment obligations to third parties, as set out in the loss reserve loan agreements. The above amount is expected to be recovered within 12 months from the balance sheet date.

Interest is due and payable to G&C Mutual Bank quarterly in arrears (by AMCFT) at 0.125% above the applicable 90 day AFMA BBSW reference rate, as determined on the first day of each quarterly interest period. Interest may not be received on the loan (on one or more of the quarterly interest payment dates) if G&C Mutual Bank does not pay a dividend on the preference shares.

On the 29 December 2016, G&C Mutual Bank agreed to buy back the 20,000 redeemable preference shares. At the same time AMCFT repaid the unsecured loan in the amount of \$195,981.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 18: PROPERTY, PLANT AND EQUIPMENT**(a) Fixed assets****Leasehold improvements**

At cost	2,546	2,546	2,526	2,526
Less accumulated depreciation	(1,356)	(1,356)	(1,137)	(1,137)

	1,190	1,190	1,389	1,389
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Plant and equipment

At cost	1,127	1,127	1,040	1,040
Less accumulated depreciation	(735)	(735)	(703)	(703)

	392	392	337	337
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Net Fixed Assets

	1,582	1,582	1,726	1,726
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(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Parent and Consolidated		
	Leasehold Improvements	Plant and Equipment	Total
	2017 \$'000	2017 \$'000	2017 \$'000
Balance at the beginning of the year	1,389	337	1,726
Additions	21	183	204
Disposals	-	(21)	(21)
Depreciation expense	(220)	(107)	(327)
Carrying amount	1,190	392	1,582
Gross Carrying Amount of fully depreciated assets	538	447	985

	Parent and Consolidated		
	Leasehold Improvements	Plant and Equipment	Total
	2016 \$'000	2016 \$'000	2016 \$'000
Balance at the beginning of the year	1,542	368	1,910
Additions	58	69	127
Disposals	(18)	(3)	(21)
Depreciation expense	(193)	(97)	(290)
Carrying amount	1,389	337	1,726
Gross Carrying Amount of fully depreciated assets	538	404	942

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 19: INTANGIBLE ASSETS

(a) Intangible assets

At cost	4,407	4,407	4,051	4,051
Less accumulated amortisation	(3,253)	(3,253)	(2,616)	(2,616)
Net Intangible Assets	1,154	1,154	1,435	1,435

(b) Movements in carrying amounts

Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below.

	Parent and Consolidated		
	IT Develop- ment and software	Bank Status	TOTAL
	2017 \$'000	2017 \$'000	2017 \$'000
Written down value balance at the beginning of the year	1,282	153	1,435
Additions			
Internally generated	189	-	189
Separately acquired	86	-	86
Acquired under transfer of business	19	-	19
Disposals	(16)	-	(16)
Amortisation expense	(541)	(18)	(559)
Carrying amount	1,019	135	1,154
Gross carrying amount of fully amortised intangible assets	2,173	150	2,323

	Parent and Consolidated		
	IT Develop- ment and software	Bank Status	TOTAL
	2016 \$'000	2016 \$'000	2016 \$'000
Written down value balance at the beginning of the year	918	171	1,089
Additions			
Internally generated	344	-	344
Separately acquired	453	-	453
Disposals	(10)	-	(10)
Amortisation expense	(423)	(18)	(441)
Carrying amount	1,282	153	1,435
Gross carrying amount of fully amortised intangible assets	1,677	-	1,677

	Consolidated	Parent	Consolidated	Parent
	2017	2017	2016	2016
	\$'000	\$'000	\$'000	\$'000

NOTE 20: DEFERRED TAX ASSETS

The balance comprises temporary difference attributable to:

Amounts recognised in profit or loss

Plant, property and equipment	(142)	(142)	(158)	(158)
Doubtful debts	183	183	129	129
Employee leave benefits	622	622	492	492
Accrued expenses	172	172	124	124
Lease incentive	334	334	332	332
Provision for make good and other	(15)	(15)	14	14

Amounts recognised in other comprehensive income

Gain on financial assets - available for sale	-	-	(68)	(68)
Set-off of deferred tax liabilities pursuant to set-off provisions	-	-	-	-

Net deferred tax assets	1,154	1,154	865	865
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Movements:

Opening balance at 1 July	865	865	770	770
Increase due to transfer of business	132	132	-	-
Credited / (charged) to equity	-	-	-	-
Credited / (charged) to the statement of comprehensive income	157	157	99	99
Prior year adjustment	-	-	(4)	(4)

Closing balance at 30 June	1,154	1,154	865	865
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Net deferred tax assets to be recovered after more than 12 months	279	279	346	346
Net deferred tax assets to be recovered within 12 months	875	875	519	519

Total deferred tax assets	1,154	1,154	865	865
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Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Total losses on capital account	797	797	797	797
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The deferred tax asset related to capital losses will only be obtained if:

- (i) G&C Mutual Bank derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the capital losses to be utilised
- (ii) G&C Mutual Bank continues to comply with the conditions of deductibility imposed by tax legislation
- (iii) No changes in tax legislation adversely affect G&C Mutual Bank in realising the benefits from the deductions for the losses.

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not considered probable that future taxable capital gains will be available against which they can be realised.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 21: DEPOSITS

Member shares	56	56	58	58
Call deposits	418,522	418,522	271,578	271,578
Term deposits	395,970	395,970	435,078	435,078
Certificates of deposit	145,283	145,283	57,608	57,608
Fair value of deposits in hedging relationship	33	33	54	54
Total deposits	959,864	959,864	764,376	764,376

(a) Maturity Analysis

Not longer than 12 months	924,486	924,486	739,317	739,317
Longer than 12 months	35,378	35,378	25,059	25,059
Total deposits	959,864	959,864	764,376	764,376

NOTE 22: TRADE AND OTHER PAYABLES

Accrued interest payable	4,453	4,453	4,519	4,519
Payable to securitisation trust	-	805	-	73
Sundry creditors and accrued expenses	1,046	1,044	948	948
Lease incentive liability	2,215	2,215	2,408	2,408
Clearing accounts	5,614	5,614	2,907	2,973
Total trade and other payables	13,328	14,131	10,782	10,921

(a) Maturity Analysis

Not longer than 12 months	11,355	12,158	8,582	8,721
Longer than 12 months	1,973	1,973	2,200	2,200
Total trade and other payables	13,328	14,131	10,782	10,921

NOTE 23: SUBORDINATED DEBT

Balance at end of year	999	999	994	994
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In November 2012, G&C Mutual Bank issued subordinated debt instruments to Australian Mutual Investment Trust (AMIT) with an aggregate issuance price of \$1 million and for net proceeds (after transaction costs) of \$979,231.

The subordinated debt instruments were issued as limited recourse secured floating rate notes at 90 day BBSW + 593 basis points. Interest is payable quarterly in arrears commencing 31 December 2012 up to, and including 30 June 2022. The subordinated debt notes may be redeemed by G&C Mutual Bank subject to APRA approval.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
NOTE 24: DERIVATIVE LIABILITIES				
Interest rate swaps at fair value	97	97	418	418
(a) Maturity Analysis				
Not longer than 12 months	61	61	73	73
Longer than 12 months	36	36	345	345
	97	97	418	418

NOTE 25: OTHER FINANCIAL LIABILITIES

Repurchase borrowings	11,407	11,407	19,979	19,979
Loans assigned to securitisation trust	-	111,811	-	17,393
Total other financial liabilities	11,407	123,218	19,979	37,372
(a) Maturity Analysis				
Not longer than 12 months	11,407	11,407	19,979	19,979
Longer than 12 months	-	111,811	-	17,393
	11,407	123,218	19,979	37,372

NOTE 26: PROVISIONS**Current**

Annual leave	567	567	487	487
Long service leave	484	484	450	450
Post-employment benefits	903	903	385	385
Make good	20	20	-	-
Other provisions	317	317	-	-

Non-current

Long service leave	117	117	73	73
Post-employment benefits	-	-	245	245
Make good	37	37	44	44

Total provisions

	2,445	2,445	1,684	1,684
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Movements in provisions

Movements in each class of provision during the financial year are set out below:

	Parent and Consolidated				
	Annual leave	Long service leave	Make good provision	Post-employment benefits	Other provisions
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2016	487	523	44	630	-
Arising during the year	634	73	13	273	380
Increase due to transfer of business	44	39	-	-	-
Utilised	(598)	(34)	-	-	(63)
Reversed during the year	-	-	-	-	-
At 30 June 2017	567	601	57	903	317

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 27: PREFERENCE SHARES

Opening balance	2,000	2,000	1,996	1,996
Write back of debt raising discount	-	-	4	4
Shares redeemed	(2,000)	(2,000)	-	-
Closing balance	-	-	2,000	2,000

G&C Mutual Bank issued preference shares in 2006 with an aggregate issuance price of \$2 million and for net proceeds (after transaction costs) of \$1,955,000. The preference shares were issued on terms consistent with the provisions of G&C Mutual Bank's Constitution, as amended by member resolution at a Special General Meeting held on 21 February 2006. Commensurate with the issuance of the preference shares to Australian Mutual T1 Capital Funding Trust No 1 (AMCFT), G&C Mutual Bank also agreed to lend AMCFT an amount of \$200,000 (being 10% of the aggregate issuance price of the shares) constituting an unpaid component of the share issue, on terms set out in a loss reserve loan agreement. Refer Note 17.

These shares have been recognised as equity under the accounting standards. In the event that G&C Mutual Bank does not pay a dividend on the preference shares, G&C Mutual Bank is not required to pay, or deliver to the holder of those shares, any amounts or benefits.

20,000 non-voting, non-redeemable, unsecured and undated preference shares were issued, each with an issue price of \$100. These preference shares can be redeemed by G&C Mutual Bank after 2016 subject to APRA approval. Dividends may be payable, subject to available profits and Board approval, at the frequency and rate, as set out in the terms of issue (Refer Note 10(a)). Payment of dividends rank ahead of member shares and in the event of a winding-up, rank behind member shares and are unable to participate in any distribution of surplus.

On 29 December 2016, the 20,000 preference shares issued to Australian Mutual T1 Capital Funding Trust No 1 were redeemed in accordance with the terms of the issue agreement. The redemption was redeemed out of profits in accordance with the Corporations Act requirements for redeemable preference shares.

NOTE 28: REDEEMABLE SHARE RESERVE

Opening balance	124	124	118	118
Increase due to transfer of business	138	138	-	-
Transfer from retained earnings	2,000	2,000	6	6
Closing balance	2,262	2,262	124	124

Share redemption

Under the *Corporations Act 2001* member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits. The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

On 29 December 2016, the 20,000 preference shares issued to Australian Mutual T1 Capital Funding Trust No 1 were redeemed in accordance with the terms of the issue agreement. The redemption was redeemed out of profits in accordance with the Corporations Act requirements for redeemable preference shares.

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 29: ASSET REVALUATION RESERVE

Opening balance	158	158	158	158
Revaluation of available-for-sale financial assets	-	-	-	-
Tax on revaluation of available-for-sale financial assets	-	-	-	-
Total asset revaluation reserve	158	158	158	158

The asset revaluation reserve is used to record the unrealised increments and decrements on the revaluation of available-for-sale financial assets as described in Note 1(l)(i).

NOTE 30: RETAINED EARNINGS

Opening balance	78,633	78,633	76,411	76,411
Net profit attributable to members	3,600	3,600	2,302	2,302
Transfer to redeemable share reserve	(2,000)	(2,000)	(6)	(6)
Dividends paid	(41)	(41)	(74)	(74)
Total retained earnings	80,192	80,192	78,633	78,633

NOTE 31: CONTRIBUTED EQUITY

Opening balance	-	-	-	-
Increase due to transfer of business (Refer Note 39)	17,362	17,362	-	-
Total contributed equity	17,362	17,362	-	-

	Consolidated 2017 \$	Parent 2017 \$	Consolidated 2016 \$	Parent 2016 \$
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NOTE 32: REMUNERATION OF AUDITORS

Remuneration of the auditor for:

Statutory audit and other assurance engagements	279,036	279,036	361,811	361,811
Taxation services	47,629	47,629	42,916	42,916
Other non-audit services	-	-	22,644	22,644
Total remuneration of auditors	326,665	326,665	427,371	427,371

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
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NOTE 33: STATEMENT OF CASH FLOWS

(a) Reconciliations of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to related items in the statement of financial position as follows:

Cash and deposits at call	27,279	27,264	25,460	25,413
Total cash and cash equivalents	27,279	27,264	25,460	25,413

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

- customer deposits in and withdrawals from savings and other deposit accounts;
- sales and purchases of maturing certificates of deposit;
- provision of member loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

Profit after income tax	3,600	3,600	2,302	2,302
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Non-cash flows in profit after income tax:

Net gain/(loss) on sale of property, plant and equipment	1	1	2	2
Loss on repayment of loan loss reserve	1	1	-	-
Amortisation of intangibles	559	559	437	437
Amortisation other	5	5	8	8
Depreciation	326	326	286	286
Provision for loan impairment movement	447	447	142	142
Lease incentive amortisation	(156)	(156)	-	-
Hedging	-	-	1	1

Change in operating assets and liabilities:

Decrease/(Increase) in due from other financial institutions	36,065	39,864	(106,742)	(106,710)
(Increase) in loans and advances	(41,742)	(41,742)	(62,485)	(62,485)
Increase in provisions	677	677	131	131
Decrease/(Increase) in trade and other receivables	1,731	(3,600)	(571)	(547)
(Decrease)/Increase in deposits	(3,391)	(3,391)	154,767	154,767
(Decrease)/Increase in repurchase borrowings	(8,572)	(8,572)	19,979	19,979
(Decrease) in income taxes payable	-	-	-	-
Decrease/(Increase) in current tax asset	214	214	(686)	(686)
(Increase) in deferred tax asset	(157)	(157)	(96)	(95)
Increase/(Decrease) in trade and other payables	(996)	(332)	1,144	1,115

Net cash outflow from operating activities	(11,388)	(12,256)	8,619	8,647
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NOTE 34: FAIR VALUE DISCLOSURE**(a) Valuation**

Fair value reflects the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms length transaction. Quoted prices or rates are used to determine fair value where an active market exists. If the market for a financial instrument is not active, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions prevailing on the measurement date.

Under AASB 13 all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

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 (as prices) or indirectly (derived from prices); and

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

The net fair value estimates were determined by the following methodologies and assumptions:

(i) Cash and cash equivalents and receivables from other financial institutions

The carrying values of cash and cash equivalents approximate their net fair value as they are short term in nature or are receivable on demand. The fair value of receivables due from other financial institutions that are not traded in an active market is determined using discount cash flow analysis with terms to maturity that match, as closely as possible, to the estimated future cash flows.

(ii) Loans and advances

The carrying value of member loans is net of unearned income and both general and specific provisions for doubtful debts. For variable loans (excluding impaired loans), the amount shown in the Balance Sheet is considered to be a reasonable estimate of net fair value. The net 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.

(iii) Financial assets - available-for-sale

Investments in unlisted equity investments included in available-for-sale investments held in TransAction Solutions Limited (TAS) are measured at fair value by reference to the quoted price for shares based on the last applicable market transactions. The unlisted equity investments in SocietyOne Holdings Pty Ltd, Shared Service Partners Pty Ltd and Cuscal Limited are measured at cost as the fair value could not be measured reliably, due to the lack of an actively traded market for these holdings. G&C Mutual Bank is not intending to dispose of these equity investments.

(iv) Loss Reserve Loan

The carrying value approximates net fair value as it is short term in nature and reprices frequently.

(v) Deposits

The carrying amount approximates fair value for call account balances as they are at call. The fair value of term deposits are estimated using discounted cash flow analysis based on current market rates for equivalent term deposits.

(vi) Subordinated Debt

The carrying value approximates net fair value as it is short term in nature and reprices frequently.

NOTE 34: FAIR VALUE DISCLOSURE (Continued)

(b) Fair value hierarchy for financial assets and liabilities measured at fair value

Consolidated and Parent

	Carrying value 2017 \$'000	Fair value as at 30 June 2017			Total \$'000
		Level 1	Level 2	Level 3	
		\$'000	\$'000	\$'000	
Financial Assets					
Financial Assets - available-for-sale	3,018	-	338	2,680	3,018
Total Financial Assets	3,018	-	338	2,680	3,018
Financial Liabilities					
Derivative liabilities	97	-	97	-	97
Total Financial Liabilities	97	-	97	-	97

Consolidated and Parent

	Carrying value 2016 \$'000	Fair value as at 30 June 2016			Total \$'000
		Level 1	Level 2	Level 3	
		\$'000	\$'000	\$'000	
Financial Assets					
Financial Assets - available-for-sale	1,821	-	271	1,550	1,821
Total Financial Assets	1,821	-	271	1,550	1,821
Financial Liabilities					
Derivative liabilities	418	-	418	-	418
Total Financial Liabilities	418	-	418	-	418

(c) Analysis of movements between fair value hierarchy levels

The table below summarise movements in Level 3 balance during the year.

Consolidated and Parent

	Financial Assets - available-for-sale	Total
	\$'000	\$'000
As at 1 July 2015	-	-
Purchases	1,550	1,550
Sales/Settlements	-	-
Gains/(losses) in the period:		
Recognised in the Statement of Comprehensive Income	-	-
As at 30 June 2016	1,550	1,550
Gains/(losses) recognised in the Statement of Comprehensive Income for financial instruments held as at 30 June 2016	-	-
As at 1 July 2016	1,550	1,550
Purchases	1,130	-
Sales/Settlements	-	-
Gains/(losses) in the period:		
Recognised in the Statement of Comprehensive Income	-	-
As at 30 June 2017	2,680	1,550
Gains/(losses) recognised in the Statement of Comprehensive Income for financial instruments held as at 30 June 2017	-	-

NOTE 34: FAIR VALUE DISCLOSURE (Continued)

(d) Fair value hierarchy for financial assets and liabilities not measured at fair value

Consolidated

	Fair value as at 30 June 2017				
	Carrying value				Total
	2017	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	27,279	27,279	-	-	27,279
Due from other financial institutions	374,027	374,674	-	-	374,674
Trade and other receivables	3,634	-	-	3,634	3,634
Loans and advances	675,595	-	131	673,663	673,794
Loss Reserve Loan	-	-	-	-	-
Total Financial Assets	1,080,535	401,953	131	677,297	1,079,381
Financial Liabilities					
Deposits	959,864	-	961,275	-	961,275
Trade and other payables	13,328	-	-	13,328	13,328
Subordinated debt	999	-	1,000	-	1,000
Other financial liabilities	11,407	-	11,407	-	11,407
Total Financial Liabilities	985,598	-	973,682	13,328	987,010

Consolidated

	Fair value as at 30 June 2016				
	Carrying value				Total
	2016	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	25,460	25,460	-	-	25,460
Due from other financial institutions	339,830	339,829	-	-	339,829
Trade and other receivables	4,001	-	-	4,001	4,001
Loans and advances	503,127	-	474	502,512	502,986
Loss Reserve Loan	197	-	-	197	197
Total Financial Assets	872,615	365,289	474	506,710	872,473
Financial Liabilities					
Deposits	764,376	-	765,759	-	765,759
Trade and other payables	10,782	-	-	10,782	10,782
Subordinated debt	994	-	1,000	-	1,000
Other financial liabilities	19,979	-	19,980	-	19,980
Total Financial Liabilities	796,131	-	786,739	10,782	797,521

NOTE 34: FAIR VALUE DISCLOSURE (Continued)

(d) Fair value hierarchy for financial assets and liabilities not measured at fair value (continued)

Parent

	Fair value as at 30 June 2017				
	Carrying value				
	2017	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	27,264	27,264	-	-	27,264
Due from other financial institutions	368,631	369,278	-	-	369,278
Trade and other receivables	10,513	-	-	10,513	10,513
Loans and advances	786,741	-	131	786,871	787,002
Loss Reserve Loan	-	-	-	-	-
Total Financial Assets	1,193,149	396,542	131	797,384	1,194,057
Financial Liabilities					
Deposits	959,864	961,275	-	-	961,275
Trade and other payables	14,131	-	-	14,131	14,131
Subordinated debt	999	-	1,000	-	1,000
Other financial liabilities	123,218	-	123,253	-	123,253
Total Financial Liabilities	1,098,212	961,275	124,253	14,131	1,099,659

Parent

	Fair value as at 30 June 2016				
	Carrying value				
	2016	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash and cash equivalents	25,413	25,413	-	-	25,413
Due from other financial institutions	338,233	338,231	-	-	338,231
Trade and other receivables	5,549	-	-	5,549	5,549
Loans and advances	520,755	-	474	520,141	520,615
Financial Assets - available-for-sale	1,821	-	271	1,550	1,821
Loss Reserve Loan	197	-	-	197	197
Total Financial Assets	891,968	363,644	745	527,437	891,826
Financial Liabilities					
Deposits	764,376	-	765,759	-	765,759
Trade and other payables	10,921	-	-	10,919	10,919
Subordinated debt	994	-	100	-	1,000
Derivative liabilities	418	-	418	-	418
Other financial liabilities	37,372	-	37,373	-	37,373
Total Financial Liabilities	814,081	-	803,650	10,919	814,569

NOTE 35: COMMITMENTS

To meet the financial needs of members, G&C Mutual Bank enters into various commitments. Even though these obligations may not be recognised on the Balance Sheet, they do contain credit risk and are therefore part of the overall risk of G&C Mutual Bank.

(a) Future capital commitments

G&C Mutual Bank has not entered into contracts for the purchase of property, plant and equipment which have not been recognised as a liability.

(b) Operating Lease Commitments

G&C Mutual Bank has entered into commercial property leases and equipment leases. The commercial property leases are on properties from which G&C Mutual Bank branches operate, including the lease on the head office site entered into in May 2014 on which an incentive was received providing a rent free period. These operating leases have a remaining term of between one and ten years with a renewal option included at the end of the term of the lease in some of the agreements. There are no restrictions placed upon G&C Mutual Bank by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated 2017 \$'000	Parent 2017 \$'000	Consolidated 2016 \$'000	Parent 2016 \$'000
Not longer than 1 year	1,541	1,541	1,263	1,263
Longer than 1 and not longer than 5 years	5,231	5,231	5,265	5,265
Longer than 5 years	2,386	2,386	4,475	4,475
Total operating lease commitments	9,158	9,158	11,003	11,003
(c) Undrawn Loan Commitments				
Loans approved but not funded	7,204	7,204	18,636	18,636
Undrawn lines of commitment	29,246	29,246	22,453	22,453
Loan redraw facilities	53,554	53,554	24,734	24,734
Undrawn Loan Commitments	90,004	90,004	65,823	65,823

Commitments to extend credit represent contractual commitments to make loans and provide revolving credit facilities. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

However, the potential credit loss is less than the total unused commitment since most commitments to extend credit are contingent upon members maintaining specific standards. G&C Mutual Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter term commitments.

NOTE 36: CONTINGENT LIABILITIES**(a) Credit Union Financial Support System**

G&C Mutual Bank is a participant in the Credit Union Financial Support System (CUFSS). The purpose of the CUFSS is to protect the interests of credit union, building society and mutual bank members, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

G&C Mutual Bank's minimum obligation requirement, in times of need, is 3.0% (2016: 3.1%) of the total on balance sheet assets as set out in the most recent quarterly report provided to APRA. The minimum deposit must be held in a form acceptable to CUFSS and be free of any encumbrances. No claims have been made during the financial year.

NOTE 36: CONTINGENT LIABILITIES (Continued)

(b) Guarantees

The Mutual Bank has issued guarantees on behalf of members and suppliers for the purpose of lease and trade credit facilities. The amounts of the guarantees are in total \$919,643 (2016: \$465,368). The guarantee is payable only on the member or supplier defaulting on the contractual repayments to the lessor / supplier.

NOTE 37: INVESTMENTS IN SUBSIDIARIES AND OTHER ENTITIES

(a) Subsidiaries

Name of Entity	Place of Incorporation	Ownership interest	Principal activities
SGE Funding Trust No. 1 Repo Series No. 1	Australia	100%	Securitisation

G&C Mutual Bank holds all the participation units issued by the trust.

There were no significant restrictions on the ability to transfer cash or other assets, pay dividends or other capital distributions, provide or repay loans and advances between the entities within the Group.

(b) Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on G&C Mutual Bank's power over the activities of the entity and its exposure to and ability to influence its own returns, it may consolidate the entity. In other cases it may have exposure to such an entity but not consolidate it.

Consolidated structured entities

G&C Mutual Bank has the following contractual arrangements which require it to provide financial support to its structured entities.

(i) Securitisation Structured Entities

G&C Mutual Bank provides liquidity facilities to SGE Funding Trust No. 1 Repo Series No. 1. These facilities can only be drawn to cover cash flow shortages relating to mismatches in timing of cash inflows due from securitised asset pools and cash outflows due to note holders.

(ii) Structured Asset Finance Structured Entities

G&C Mutual Bank provides funding facilities to Structured Asset Finance structured entities. Total funding as at 30 June 2017 to Structured Asset Finance structured entities is \$Nil (2016: \$Nil).

(c) Unconsolidated structured entities

G&C Mutual Bank has exposure to special purpose vehicles in the form of commitments made to these vehicles. These commitments are transferred to these vehicles to fund loans and pay a return based on the returns of, and exposure to, those loans. The nature and extent of G&C Mutual Bank's exposure in these entities is summarised below.

Exposure to unconsolidated structured entities	2017 \$'000	2016 \$'000
Loans and receivables	29,212	6,828
Total maximum exposure to loss	29,212	6,828

NOTE 38: RELATED PARTIES DISCLOSURES**(a) Directors**

The names of the Directors of G&C Mutual Bank who have held office during the financial year are:

J F Kennelly - Chair
 A P Hutchison - Vice Chair
 T J Donegan - Director
 K V Hawkins - Director
 D A Taylor - Director
 G N Hammond - Director
 P W Clarke - Director [commenced 1 September 2016]
 S J Helmich - Director [commenced 1 September 2016]
 D M Hardman - Director [commenced 1 September 2016, ceased 23 September 2016]
 A Green - Director [ceased 31 August 2016]

(b) Remuneration of Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of G&C Mutual Bank, directly or indirectly, including any Director of G&C Mutual Bank. Key management personnel has been taken to comprise the Directors and members of Executive Management who were responsible during the financial year for the day to day financial management and operational management of G&C Mutual Bank.

The aggregate compensation of key management personnel during the year comprising amounts paid or payable or provided for was as follows:

	2017	2016
	\$	\$
• Short-term employee benefits	2,830,808	2,561,036
• Retirement benefits paid	-	-
• Termination benefits	-	106,249
• Post-employment benefits - net increase/(decrease) in retirement benefits provision	286,332	226,408
• Other long-term benefits - net increase/(decrease) in long service leave provision	43,338	10,075
Total remuneration of key management personnel	3,160,478	2,903,768

Remuneration shown as short term benefits means (where applicable) wages, salaries, superannuation, paid annual leave and paid sick leave, value of fringe benefits received, but excludes out of pocket expense reimbursements.

(c) Loans to Key Management Personnel

All loans disbursed to Directors and close family members of key management personnel (as defined by AASB124 *Related Party Disclosures*) were approved on the same terms and conditions, that are applicable to members for each class of loan. There are no loans that are impaired in relation to the loan balances with key management personnel or close family members.

Key management personnel who are not Directors may be entitled to receive a concessional rate of interest on a portion of their loans and facilities. The concessional rate for these loans is 2.5% below the standard variable rate and they are secured by first mortgages over the individuals' residences. These benefits, where subject to fringe benefits tax, are included in the remuneration in (b) above.

There are no benefits or concessional terms and conditions applicable to the close family members of the key management personnel. There are no loans that are impaired in relation to the loan balances with close family members of Directors and key management personnel.

NOTE 38: RELATED PARTIES DISCLOSURES (Continued)

(c) Loans to Key Management Personnel (continued)

	2017	2016
	\$	\$
(i) The aggregate value of loans to key management personnel and close family members as at balance date amounted to	<u>9,743,160</u>	<u>8,679,816</u>
(ii) The total value of revolving credit facilities to key management personnel and close family members as at balance date amounted to	348,000	129,000
(iii) Less amounts drawn down and included in total loans above	<u>(81,375)</u>	<u>(30,901)</u>
Net balance available	<u>266,625</u>	<u>98,099</u>
Interest and other revenue earned on loans and revolving credit facilities to key management personnel and close family members	<u>302,109</u>	<u>322,969</u>

(d) Deposits from Key Management Personnel

Total value of term and savings deposits from key management personnel and close family members at balance date	<u>2,521,692</u>	<u>2,863,453</u>
Total interest paid on deposits to key management personnel and close family members	<u>10,647</u>	<u>3,653</u>

Key management personnel and close family members have received interest on deposits with G&C Mutual Bank during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to members of G&C Mutual Bank.

NOTE 39: TRANSFER OF BUSINESS

Quay Credit Union Limited transferred all of its business to G&C Mutual Bank on 1 September 2016. All of the shares in Quay Credit Union Limited were cancelled and each member of Quay Credit Union was issued a member share in G&C Mutual Bank.

The primary reason for the transfer of business was detailed in the information pack issued to members, which was to amalgamate G&C Mutual Bank and Quay Credit Union Limited in order to create a larger organisation better able to withstand the economic pressures and regulatory requirements.

Goodwill is calculated based on the consideration transferred and identifiable assets and liabilities acquired. In a combination of mutual entities where only equity interests are transferred, the acquirer shall use the acquisition-date-fair-value of the acquiree's equity interests in place of the acquisition-date-fair-value of the consideration transferred.

The consideration transferred is as follows:

	Fair Value Amount
	\$'000
Redeemable share reserve	138
Contributed equity	<u>17,362</u>
Acquisition-date-fair-value of acquirer's equity interest	<u>17,500</u>

NOTE 39: TRANSFER OF BUSINESS (Continued)

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

	Book Value	Fair Value	Fair Value
	\$'000	Adjustment \$'000	Amount \$'000
ASSETS			
Cash and deposits at call	16,747	-	16,747
Due from other financial institutions	70,263	-	70,263
Trade and other receivables	1,365	-	1,365
Loans and advances	130,867	(33)	130,834
Financial assets - available-for-sale	391	56	447
Intangible assets	20	(1)	19
Current tax assets	250	(51)	199
Deferred tax assets	179	(47)	132
Total Assets	220,082	(76)	220,006
LIABILITIES			
Deposits	198,879	-	198,879
Trade and other payables	3,543	-	3,543
Provisions	83	1	84
Total Liabilities	202,505	1	202,506
Net identifiable assets acquired	17,577	(77)	17,500

There are no contingent considerations or indemnification assets and no contingent liabilities.

Acquisition related costs comprised:

Description	\$
Professional due diligence and legal costs	34,283
Information technology and communication expense	174,778
Total Direct Costs	209,061

These costs were incurred in the 2016 (\$31,446) and 2017 (\$177,615) financial years and form part of the 'Other Operating Costs' of the G&C Mutual Bank. There were no costs of the acquisitions incurred but not expensed.

Post Acquisition Performance:

Since the transfers the revenue and expenses have been absorbed into the revenue and expenses of G&C Mutual Bank as a whole and are not separated as a separate business unit. That was done to allow the economies of scale to maximise the benefits to members and to recognise that the assets and liabilities acquired are not separable from the combined mutual bank.

Accordingly the amounts of revenue and profit and loss of the acquiree since the acquisition date and as if it were transferred at the beginning of the financial year is included in the consolidated statement of comprehensive income for the reporting period are not available.

NOTE 40: EVENTS AFTER BALANCE SHEET DATE

There has been no other matter or significant event that has arisen after balance date which may affect G&C Mutual Bank's operations, the results of those operations or G&C Mutual Bank's state of affairs.

CORPORATE DIRECTORY

AUDITORS

PricewaterhouseCoopers
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SOLICITORS

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Chief Executive Officer

Dave Taylor

EXECUTIVE MANAGEMENT

Rosanna Argall
Deputy CEO and Company Secretary

Michael Coburn
Chief Sales Officer

Anthony Sluiter
Chief Financial Officer

Andrew Prichard
Chief Risk Officer

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