ANNUAL REPORT 2016
A BRIGHT FUTURE

G&C mutual bank®
BANKING ON YOUR COMMUNITY

IT'S YOUR BANK BECAUSE YOU OWN IT

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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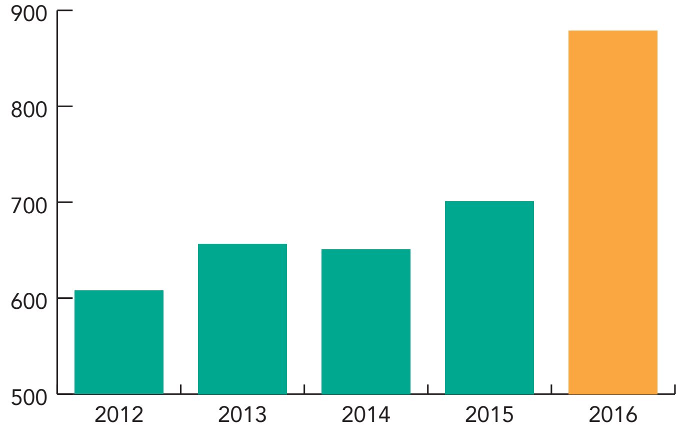
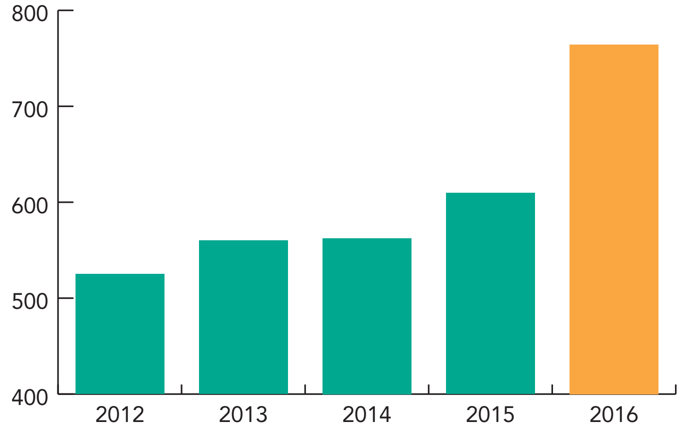
KEY STATISTICS
TO 30 JUNE 2016

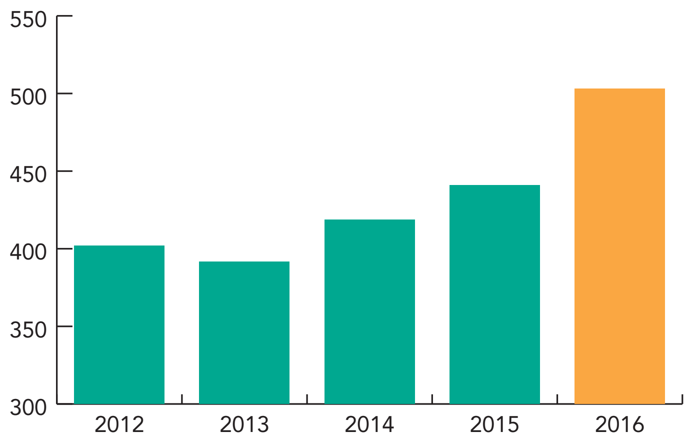
$879m
Total Assets



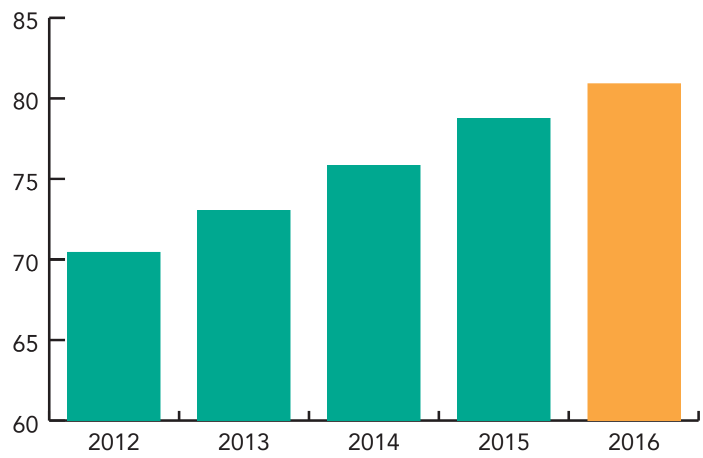
$764.30m
Deposits



$503.10m
Loans



$80.91m
Member Equity



A YEAR OF **GROWTH & PARTNERSHIP**

G&C mutual bank®
BANKING ON YOUR COMMUNITY

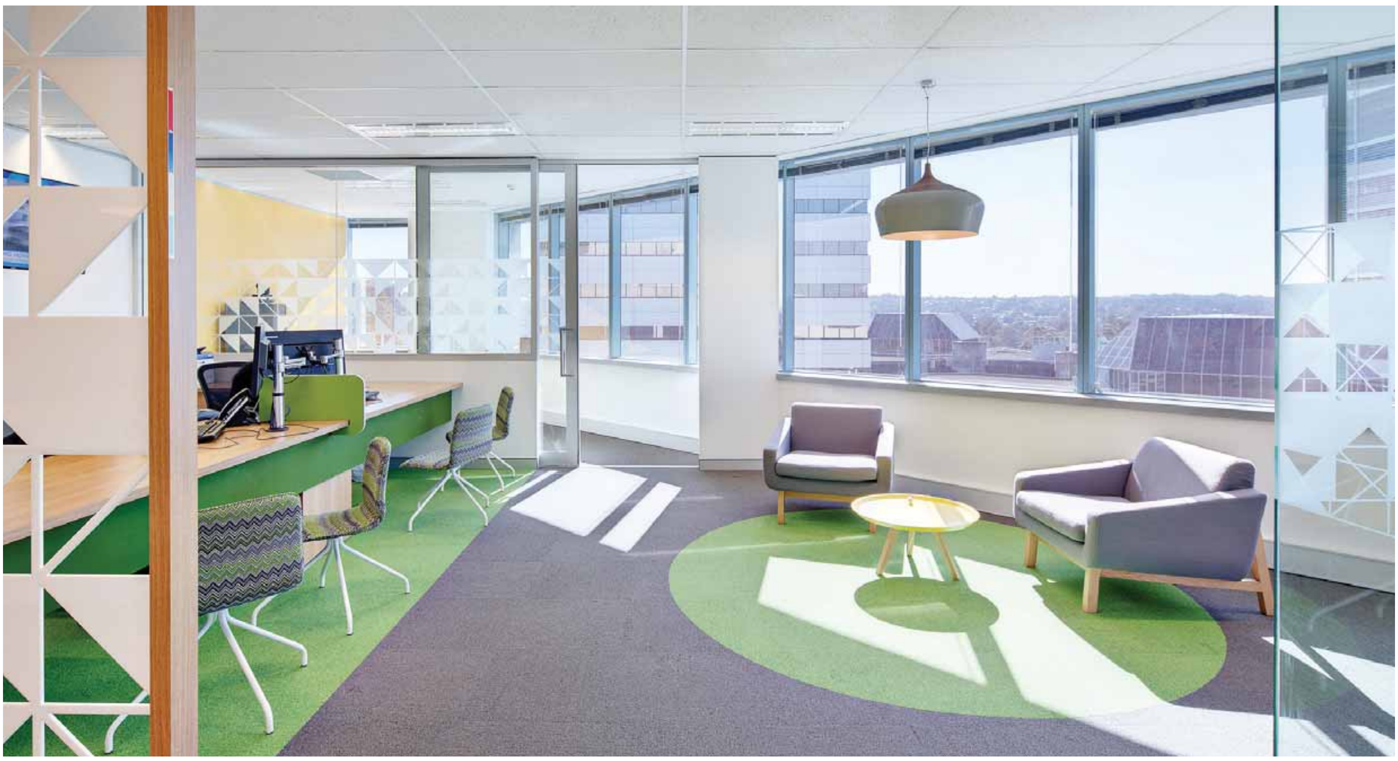
"Our first completed year following the launch of our new name and brand delivered growth outcomes well in excess of expectations, with record increases in total assets (25.41%), deposit balances (25.39%) and loan balances (14.13%)"

Julian Kennelly
Chair

The 2015/16 financial year marked an important turning point for **G&C Mutual Bank** as we capitalised on the enhanced profile flowing from our "bank" rebranding in the prior year. Our priority for the year was to invest in growth through new product developments, the rebranding and upgrading of our branch network and upgrades to our core banking system, while also pursuing our long-held strategy of identifying suitable merger partners.

Our first completed year following the launch of our new name and brand delivered growth outcomes well in excess of expectations, with record increases in total assets (25.41%), deposit balances (25.39%) and loan balances (14.13%) – as illustrated in the charts on page 5 .

After assessing several potential merger options, we were also delighted to announce in December 2015 that Quay Credit Union (QCU) had agreed to merge with **G&C Mutual Bank.** After close consultation with our QCU colleagues and the supervisory authorities, all due diligence and regulatory approvals were in place by the end of the financial year, with the merger subsequently taking effect on 1 September 2016.



A YEAR OF GROWTH & PARTNERSHIP

Dave Taylor
CEO

"Notwithstanding our strong loan growth, the application of conservative lending standards and close oversight of our in-house origination channels has enabled us to continue our proud 57 year record of never incurring a loss on our home loan portfolio."

RECORD LOAN GROWTH

G&C Mutual Bank's growth in total loan balances of 14.13% was built on a 34% increase in the value of new loan originations in 2015/16 compared to the prior year. The above-system increase in loan balances was especially pleasing as we remain one of very few banks with no dependence on mortgage brokers for home loan origination.

Notwithstanding our strong loan growth, the application of conservative lending standards and close oversight of our in-house origination channels has enabled us to continue our proud 57 year record of never incurring a loss on our home loan portfolio.

Although home lending continues to be the major driver of **G&C Mutual Bank's** total loan growth, concerted efforts were also made during the year to lift our personal loan portfolio. We commenced the year with the launch of our new suite of ***"Fair Rate"*** personal loans – an innovative product with risk-based pricing designed to reward our most loyal and creditworthy borrowers with lower interest rates.

"The above-system increase in loan balances was especially pleasing as we remain one of very few banks with no dependence on mortgage brokers for home loan origination."

We also developed a close partnership during the year with SocietyOne, Australia's first and most successful "peer-to-peer" (or marketplace) lender, under which **G&C Mutual Bank** funds loans originated via SocietyOne's online platform. This initiative has been a great success and has helped us diversify our risk exposures while also accessing a younger segment of personal loan borrowers.

The combined impact of the above initiatives has helped drive a 37.80% increase (compared to the prior year) in our Personal Loan portfolio, a portfolio that had previously been on a continuous downward trend for 15 years.

OVERVIEW OF FINANCIAL PERFORMANCE

G&C Mutual Bank finished the 2015/16 financial year with Assets of $879.15 million, Member Equity of $80.9 million and a risk-weighted Capital Ratio of 18.64% - with the latter ratio remaining substantially higher than those of the 4 major banks.

G&C Mutual Bank's 2015/16 results are set out in detail in the accompanying financial statements. In summary, the bank finished the year with a pre-tax profit of $3.29 million (2015: $3.88 million), a post-tax profit of $2.30 million (2015: $2.72 million) and an increase in Member Equity of $2.11 million to $80.91 million.

The continuing decline in market interest rates and intense competition for home loans and retail deposits saw further margin compression, with **G&C Mutual Bank's** Net Interest Margin (NIM) falling from 2.50% on 30 June 2015 to 2.27% on 30 June 2016, with the result that there was only a marginal (2.00%) increase in Net Interest Income despite strong balance sheet growth.

The decline in 2015/16 profit (compared to the prior year) was also significantly influenced by the one-off restructuring, rebranding and merger-related costs incurred through the year, including approximately $700,000 relating to the rebranding and refurbishment of branches, the upgrading of our core banking system, and preparations for the merger with Quay Credit Union.

PRODUCT AWARDS

The 2015/16 financial year was especially rewarding as many of our new products received independent recognition for their great value, flexibility and innovative features. In summary, the following product awards were received over the past year:

- 5 Star Canstar ratings for Outstanding Value across all of our core home loan products (including our Construction Loan) for both owner occupiers and investors;
- 5 Star Canstar ratings for Outstanding Value for our low rate credit card product;
- Mozo Experts Choice Award (2015 and 2016) for best low rate credit card; and
- Mozo Experts Choice Award (2016) for best premium rewards credit card.

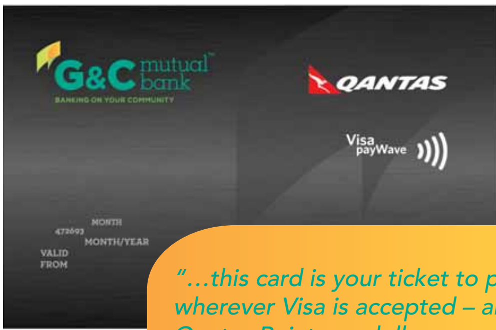
THE YEAR AHEAD

At the time of writing our merger with Quay Credit Union (QCU) has recently taken effect and we have just completed a successful integration of QCU's core banking system. Our major priority for 2016/17 is to consolidate the scale benefits of the QCU merger by extracting operating efficiencies and harnessing new revenue opportunities by marketing the full **G&C** product range to our expanded membership base.

"Our major priority for 2016/17 is to consolidate the scale benefits of the QCU merger by extracting operating efficiencies and harnessing new revenue opportunities by marketing the full G&C product range to our expanded membership base."

G&C Mutual Bank expects to see a continuation of challenging market conditions in the year ahead, with a continuation of low interest rates and further margin compression, and with mutual financial institutions looking to enhance their 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. The new NPP technology is expected to herald dramatic changes in customer transactional behaviour and will require significant systems investment by **G&C Mutual Bank** over the coming year.



"…this card is your ticket to points parity wherever Visa is accepted – and at one Qantas Point per dollar, uncapped, it you'll be hard-pressed to find a higher-earning card elsewhere."

- Chris Chamberlin, Australian Business Traveller

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 in helping deliver a record year of growth, co-operation and innovation.

DIRECTORS

G&C mutual bank
BANKING ON YOUR COMMUNITY

Julian Kennelly

Board Chair & Chair of Governance, Nominations & Remuneration Committee
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 Committee. 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 2017

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 Practicing 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.

Alan Green

Non–Executive 'Elected' Director
Period of Appointment: 4 years to 31 August 2016

Alan is a registered tax agent who for the past 14 years has operated an independent tax consultancy practice serving both large and small businesses.

Previously Alan had a lengthy career as a public servant and a tax specialist in large accounting firms. Alan commenced working for Ernst & Young in 1980 to assist with the introduction of new tax legislation into Australia. He subsequently held roles with Price Waterhouse and then KPMG.

Earlier in his career Alan was a tutor and lecturer in economics at the University of New South Wales. He has Bachelors and Masters Degrees in economics.

Gregory Hammond

Non–Executive 'Appointed' Director
Period of Appointment: 2 years to December 2016

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.

Greg 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).

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.

EXECUTIVE MANAGEMENT

From left to right: Mike Fenech (COO), Dave Taylor (CEO), Andrew Prichard (CRO), Rosanna Argall (Deputy CEO), Michael Coburn (CSO)

G&C Mutual Bank Limited (formerly and as at 30 June 2016 SGE Mutual Limited), trading as G&C Mutual Bank, is a public company registered under the *Corporations Act 2001*.

Your Directors present their report on G&C Mutual Bank and its controlled entity, together the Group, for the financial year ended 30 June 2016.

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]

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 2016, 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 Committee	
	E	A	E	A	E	A	E	A
J F Kennelly	6	6	0	0	0	0	5	5
T J Donegan	6	5	5	5	4	3	5	5
A Green [R]	6	5	5	3	4	3	0	0
K V Hawkins	6	6	5	5	4	3	0	0
A P Hutchison	6	5	5	4	4	4	5	4
D A Taylor	6	6	0	0	0	0	5	5
G N Hammond	6	5	5	5	4	3	0	0

E = number of meetings Directors eligible to attend
A = number of meetings attended during the time the Director held office
R = ceased as a Director 31 August 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 37 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 $3,292,000 (2015: $3,876,000). The net profit after income tax for the year is $2,302,000 (2015: $2,721,000).

The results for the financial year were underpinned by:
- An increase in loans funded over the prior year of 34.00%
- An increase in loan balances of 14.13%
- An increase in deposits of 25.39%
- An increase in assets of 25.41%

Dividend on Tier 1 Shares
The dividends paid during the year on permanent preference shares were $3.69 per share (2015: $3.92 per share) amounting to a total dividend of $74,000 (2015: $79,000).

Significant Changes in State of Affairs
There were no significant changes in the state of affairs of G&C Mutual Bank during the financial year.

Significant Events After the Balance Date
On 1 September 2016, Quay Credit Union 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 has been (provisionally determined) to be $17,495,000 and the purchased goodwill is estimated at $Nil.

On 1 September 2016, G&C Mutual Bank's incorporated name was changed from SGE Mutual Limited to G&C Mutual Bank Limited. This change was approved by members' at G&C Mutual Bank's Annual General Meeting held on 6 October 2015.

No other matter or 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:

	2016	2015
	$	$
Taxation services	42,916	82,127
Other services	22,644	-
Total	**65,560**	**82,127**

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

K V Hawkins
Director

18 October 2016

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 2015.

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 2016, the Board comprised four Non-Executive (member-elected) Directors, two 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 11 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 three standing committees as described below; the Governance, Nominations & Remuneration Committee (GNRC), 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 Committee 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 Committee (GNRC)
The Governance, Nominations & Remuneration Committee 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 Operating 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.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of G&C Mutual Bank Limited (formerly SGE Mutual Limited) for the year ended 30 June 2016, 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 SGE Mutual Limited (trading as G&C Mutual Bank) and the entities it controlled during the period.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
18 October 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

The Directors of G&C Mutual Bank Limited (formerly and as at 30 June 2016 SGE Mutual Limited), trading as G&C Mutual Bank, 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 2016 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

K V Hawkins
Director

18 October 2016

pwc

Independent auditor's report to the members of G&C Mutual Bank Limited (formerly SGE Mutual Limited)

Report on the financial report

We have audited the accompanying financial report of G&C Mutual Bank Limited (formerly SGE Mutual Limited) (the company), which comprises the balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both G&C Mutual Bank Limited and the Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

Auditor's opinion

In our opinion:

(a) the financial report of G&C Mutual Bank Limited (formerly SGE Mutual Limited) is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

PricewaterhouseCoopers

PricewaterhouseCoopers

Joe Sheeran
Partner

Sydney
18 October 2016

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Interest income	5	31,462	32,262	31,747	32,875
Interest expense	6	(14,229)	(15,262)	(14,854)	(16,371)
Net interest income		**17,233**	**17,000**	**16,893**	**16,504**
Non-interest income	7	4,109	4,328	4,856	5,232
Net operating income		**21,342**	**21,328**	**21,749**	**21,736**
Impairment expense	8	(142)	(142)	(260)	(260)
Employment expense	8	(8,434)	(8,434)	(8,203)	(8,203)
Office occupancy expense	8	(1,413)	(1,413)	(1,509)	(1,509)
Depreciation and amortisation expense	8	(731)	(731)	(542)	(542)
Information technology and communication expense	8	(2,191)	(2,191)	(2,216)	(2,216)
Other operating expenses	8	(5,139)	(5,125)	(5,143)	(5,130)
Total operating expenses		**(18,050)**	**(18,036)**	**(17,873)**	**(17,860)**
Profit before income tax		**3,292**	**3,292**	**3,876**	**3,876**
Income tax expense	9	(990)	(990)	(1,155)	(1,155)
Net profit after tax attributable to members		**2,302**	**2,302**	**2,721**	**2,721**
Other comprehensive income					
Items that may be reclassified subsequently to profit / (loss):					
Gain on financial assets - available for sale:					
Recognised in equity	29	-	-	158	158
Total comprehensive income for the year		**2,302**	**2,302**	**2,879**	**2,879**

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

BALANCE SHEET
As at 30 June 2016

	Note	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
ASSETS					
Cash and deposits at call	11	25,460	25,413	19,378	19,151
Due from other financial institutions	12	339,830	338,233	233,138	231,573
Trade and other receivables	13	4,001	5,549	3,430	5,002
Loans and advances	14,15	503,127	520,755	440,850	464,080
Financial assets - available-for-sale	16	1,821	1,821	271	271
Loss reserve loan	17	197	197	200	200
Property, plant and equipment	18	1,726	1,726	1,910	1,910
Intangible assets	19	1,435	1,435	1,089	1,089
Current tax assets		686	686	-	-
Deferred tax assets	20	865	865	770	770
Total Assets		**879,148**	**896,680**	**701,036**	**724,046**
LIABILITIES					
Deposits	21	764,376	764,376	609,609	609,609
Trade and other payables	22	10,782	10,921	9,639	9,806
Subordinated debt	23	994	994	990	990
Derivative liabilities	24	418	418	593	593
Other financial liabilities	25	19,979	37,372	-	22,843
Provisions	26	1,684	1,684	1,522	1,522
Total Liabilities		**798,233**	**815,765**	**622,353**	**645,363**
Net Assets		**80,915**	**80,915**	**78,683**	**78,683**
EQUITY					
Preference shares	27	2,000	2,000	1,996	1,996
Redeemable member shares	28	124	124	118	118
Reserves	29	158	158	158	158
Retained earnings	30	78,633	78,633	76,411	76,411
Total Equity		**80,915**	**80,915**	**78,683**	**78,683**

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

Consolidated and Parent	Preference Shares $'000	Member Shares $'000	Reserves $'000	Retained Earnings $'000	Total $'000
Balance at 1 July 2014	**1,991**	**112**	**-**	**73,775**	**75,878**
Net profit after tax	-	-	-	2,721	**2,721**
Other comprehensive income	-	-	158	-	**158**
Total comprehensive income for the year	**-**	**-**	**158**	**2,721**	**2,879**
Amortisation of preference share discount	5	-	-	-	**5**
Transfer to capital account on redemption of shares	-	6	-	(6)	**-**
Transactions with preference shareholders	-	-	-	(79)	**(79)**
Balance at 30 June 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**

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

	Note	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
CASH FLOW FROM OPERATING ACTIVITIES					
Interest received		31,014	31,821	31,434	32,722
Dividends received		29	29	27	27
Other non-interest income received		4,035	4,291	4,792	5,168
Interest paid		(14,544)	(15,606)	(13,787)	(15,354)
Payments to suppliers and employees		(15,608)	(15,560)	(18,840)	(18,925)
Payments received under rent incentive arrangements		-	-	37	37
Income taxes paid		(1,756)	(1,772)	(1,448)	(1,448)
Purchase of investments in other financial institutions		(86,726)	(86,731)	(26,047)	(26,010)
Funding of loans and advances		(62,485)	(62,485)	(22,212)	(22,212)
Proceeds from deposits		154,660	154,660	47,117	47,117
Net cash outflow from operating activities	32 (c)	**8,619**	**8,647**	**1,073**	**1,122**
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		11	11	2	2
Payments for property, plant and equipment		(127)	(127)	(178)	(178)
Purchase of intangible assets		(797)	(797)	(499)	(499)
Payments for equity investments		(1,550)	(1,550)	-	-
Net cash outflow from investing activities		**(2,463)**	**(2,463)**	**(675)**	**(675)**
CASH FLOW FROM FINANCING ACTIVITIES					
Purchase from assignment of loans to intercompany securitisation trust		-	(5,450)	-	(9,520)
Proceeds from securities from intercompany securitisation trust		-	5,602	-	10,866
Dividends paid	10	(74)	(74)	(79)	(79)
Net cash (outflow)/inflow from financing activities		**(74)**	**78**	**(79)**	**1,267**
Net increase in cash held		6,082	6,262	319	1,714
Cash and cash equivalents at the beginning of year		19,378	19,151	19,059	17,437
Cash and cash equivalents at the end of year	11	**25,460**	**25,413**	**19,378**	**19,151**

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

NOTE 1: CORPORATE INFORMATION

G&C Mutual Bank Limited (formerly and as at 30 June 2016 SGE Mutual Limited), trading 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, for the year ended 30 June 2016 was authorised for issuance in accordance with a resolution of the Directors' on 18 October 2016. 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 and the Consolidated Entity consisting of G&C Mutual Bank and its subsidiary for the financial year ending 30 June 2016.

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") 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 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 carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal.

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 are capitalised to bank status costs. Costs capitalised include 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 are 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.

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 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) New and amended accounting standards adopted by the group

The group has applied the following standards and amendments for first time in the annual reporting period commencing 1 July 2015:

AASB 2014-4 Clarification of acceptable methods of depreciation and amortisation

AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The use of revenue-based methods to calculate the depreciation of an asset is not appropriate.

AASB 2015-1 Annual Improvements 2012-2014

Amendments to clarify minor points in various accounting standards, including AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 7 Financial Instruments: Disclosures, AASB 119 Employee Benefits and AASB 134 Interim Financial Reporting.

The AASB 5 amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New and amended accounting standards adopted by the group (continued)

AASB 7 amendments relate to the transfers of a financial asset to a third party under conditions which allow the transferor to derecognise the asset. AASB 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. Secondly, the amendment clarifies that the additional disclosure required by the amendments to AASB 7 Disclosure – Offsetting financial assets and financial liabilities is not specifically required for all interim periods.

AASB 119 amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

AASB 134 Interim financial reporting clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

AASB 2015-2 Disclosure Initiative: Amendments to AASB 101

AASB 2015-2 amends AASB 101 to provide clarification regarding the disclosure requirements in AASB 101. Specifically, the Standard proposes narrow-focus amendments to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying a Standard in determining what information to disclose in their financial statements.

As these amendments merely clarify the existing requirements, they do not affect G&C Mutual Bank's accounting policies or significantly impact any of the disclosures.

(v) 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 (2014)

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. G&C Mutual Bank is currently assessing the impact of the new requirements on the consolidated financial statements.

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

AASB 16 Leases

AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases 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.

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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Financial Assets				
Cash and cash equivalents	25,460	25,413	19,378	19,151
Due from other financial institutions	339,830	338,233	233,138	231,573
Trade and other receivables	4,001	5,549	3,430	5,002
Loans and advances	503,127	520,755	440,850	464,080
Financial assets - available-for-sale	1,821	1,821	271	271
Loss reserve loan	197	197	200	200
	874,436	**891,968**	**697,267**	**720,277**
Financial Liabilities				
Deposits	764,376	764,376	609,609	609,609
Trade and other payables	10,782	10,921	9,639	9,806
Subordinated debt	994	994	990	990
Other financial liabilities	19,979	37,372	-	22,843
Derivative liabilities	418	418	593	593
	796,549	**814,081**	**620,831**	**643,841**

(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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Hedging Instrument	176	176	(352)	(352)
Hedged Item attributable to the hedged risk	(175)	(175)	347	347

(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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
20 day 99% confidence				
VaR exposure at 30 June	565	565	204	204
Average monthly VaR exposure	368	368	199	199
Maximum monthly VaR exposure	568	568	272	272
Minimum monthly VaR exposure	192	192	126	126

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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Credit risk exposures relating to on balance sheet assets:				
Cash and cash equivalents	25,460	25,413	19,378	19,151
Due from other financial institutions	339,830	338,233	233,138	231,573
Trade and other receivables	4,001	5,549	3,430	5,002
Loans and advances	503,558	521,186	441,196	464,426
Financial assets - available for sale	1,821	1,821	271	271
Loss reserve loan	197	197	200	200
Total on balance sheet	**874,867**	**892,399**	**697,613**	**720,623**
Credit risk exposures relating to off balance sheet assets:				
Undrawn loan commitments	65,823	65,823	53,805	53,805
Other commitments	11,003	11,003	11,576	11,576
Total on and off balance sheet assets	**951,693**	**969,225**	**762,994**	**786,004**

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 (2015: $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.

An Early Warning System is used to recognise non-performing credit facilities which exhibit key stress factors that act as triggers for facilities to be included on a Watchlist. G&C Mutual Bank uses sound credit judgement to recognise, measure and provide for each credit facility deemed a Watchlist 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 2016	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 91 days $'000	TOTAL 2016 $'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**

Parent and Consolidated

30 June 2015	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 91 days $'000	TOTAL 2015 $'000
Loans and advances					
Personal Loans	-	78	14	182	274
Mortgage Loans	-	864	160	583	1,607
Commercial Loans	-	-	-	-	-
Finance Leases	-	-	-	61	61
Revolving Credit	122	-	35	62	219
Total	**122**	**942**	**209**	**888**	**2,161**

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

Parent and Consolidated

	Gross Impaired Assets 2016 $'000	Individually Assessed Provisions 2016 $'000	Net Impaired Assets 2016 $'000	Gross Impaired Assets 2015 $'000	Individually Assessed Provisions 2015 $'000	Net Impaired Assets 2015 $'000
Loans and advances	133	101	32	145	104	41
Financial assets individually assessed as impaired	**133**	**101**	**32**	**145**	**104**	**41**

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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
AA	36,868	35,226	45,000	43,208
A	110,949	110,949	108,200	108,200
BBB	142,599	142,599	64,651	64,651
Unrated	72,945	72,945	34,665	34,665
Total	**363,361**	**361,719**	**252,516**	**250,724**

(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 2016 was 17.98% (2015: 21.03%). The average MLH ratio during the period was 19.96% (2015: 20.00%), with the highest end of month MLH ratio during the year being 22.32% (2015: 21.23%) and the lowest end of month MLH ratio during the year being 15.20% (2015: 18.34%).

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 As at 30 June 2016	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No Maturity $'000	Total $'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**

Financial Liabilities As at 30 June 2015	On demand $'000	Less than 3 months $'000	3 to 12 months $'000	1 to 5 years $'000	Over 5 years $'000	No Maturity $'000	Total $'000
Deposits	242,977	212,005	126,491	39,467	-	-	**620,940**
Trade & other payables	40	2,395	- 61	993	1,430	-	**4,797**
Subordinated debt	-	20	-	-	990	-	**1,010**
Derivative liabilities	-	307	116	474	-	-	**897**
Other financial liabilities	-	-	-	-	-	-	**-**
Total financial liabilities	**243,017**	**214,727**	**126,546**	**40,934**	**2,420**	**-**	**627,644**
Commitments	-	8,078	-	-	-	45,727	**53,805**
Total commitments	**-**	**8,078**	**-**	**-**	**-**	**45,727**	**53,805**

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 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**

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 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Deposits	242,977	212,005	126,491	39,467	-	-	**620,940**
Trade & other payables	40	2,562	(61)	993	1,430	-	**4,964**
Subordinated debt	-	20	-	-	990	-	**1,010**
Derivative liabilities	-	307	116	474	-	-	**897**
Other financial liabilities	-	-	-	-	22,843	-	**22,843**
Total financial liabilities	**243,017**	**214,894**	**126,546**	**40,934**	**25,263**	**-**	**650,654**
Commitments	-	8,078	-	-	-	45,727	**53,805**
Total commitments	**-**	**8,078**	**-**	**-**	**-**	**45,727**	**53,805**

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 non-financial assets
G&C Mutual Bank assesses impairment of all assets at each reporting date by evaluating conditions specific to G&C Mutual Bank and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

(ii) 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.

(iii) Long service leave and annual leave
G&C Mutual Bank estimates the provision for long service leave and annual leave using the present value of estimated future cash flows including future increases in wage and salary rates including related on-costs and expected settlement dates.

(iv) 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.

(v) 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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
NOTE 5: INTEREST INCOME				
Cash and cash equivalents	459	423	512	461
Due from other financial institutions	8,301	8,301	7,691	7,691
Loans and advances	22,501	22,501	23,543	23,543
Interest income accrued on impaired financial assets	(2)	(2)	(5)	(5)
Interest income on notes receivable from securitisation trust	-	836	-	1,179
Other interest income	203	203	6	6
Total interest income	**31,462**	**32,262**	**31,747**	**32,875**
NOTE 6: INTEREST EXPENSE				
Deposits	13,883	13,883	14,736	14,736
Other financial liabilities	237	237	-	-
Loans assigned to securitisation trust	-	1,032	-	1,517
Subordinated debt	82	82	85	85
Amortisation of costs on subordinated debt issue	4	4	4	4
Amortisation of preference share discount	4	5	5	5
Other interest expense	19	19	24	24
Total interest expense	**14,229**	**15,262**	**14,854**	**16,371**
NOTE 7: NON-INTEREST INCOME				
Loan fees	888	888	658	658
Transaction fees	2,172	2,172	2,062	2,062
Insurance and other commissions	321	321	442	442
Bad debts recovered	112	112	88	88
Gain on sale of property, plant & equipment	8	8	-	-
Rental income	7	7	7	7
Dividend income	29	29	27	27
ATM income	541	541	599	599
Other non-interest income	31	250	973	1,349
Total non-interest income	**4,109**	**4,328**	**4,856**	**5,232**

NOTE 8: OPERATING EXPENSES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Impairment expense				
Change in provision for impairment of loans & advances	32	32	54	54
Impairment of loan loss provision	3	3	-	-
Bad debts written off	107	107	206	206
	142	**142**	**260**	**260**
Employment expense				
Salaries and wages	7,071	7,071	6,810	6,810
Superannuation expense	574	574	559	559
Other employee benefits expense	789	789	834	834
	8,434	**8,434**	**8,203**	**8,203**
Office occupancy expense				
Rental expense on operating leases	855	855	1,009	1,009
Other office occupancy costs	558	558	500	500
	1,413	**1,413**	**1,509**	**1,509**
Depreciation and amortisation expense				
Depreciation of property, plant & equipment	290	290	200	200
Amortisation of intangible assets	441	441	342	342
	731	**731**	**542**	**542**
Information technology and communications expense				
Hardware and software maintenance	1,370	1,370	1,290	1,290
Communications expense	375	375	498	498
Other information technology expense	446	446	428	428
	2,191	**2,191**	**2,216**	**2,216**
Other expenses				
Marketing and development	242	242	440	440
Loss on disposal of assets	10	10	30	30
Board and committee expenses	625	625	598	598
Membership protection and benefits	934	934	950	950
General administration expenses	775	761	842	829
Loan administration costs	591	591	308	308
Member transaction costs	1,584	1,584	1,580	1,580
Other operating expenses	378	378	395	395
	5,139	**5,125**	**5,143**	**5,130**
Total operating expenses	**18,050**	**18,036**	**17,873**	**17,860**

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000

NOTE 9: INCOME TAX

(a) Income tax expense

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Current tax	1,086	1,086	1,369	1,369
Deferred tax	(99)	(99)	(207)	(207)
Adjustment for current tax of prior years	3	3	(7)	(7)
Total	**990**	**990**	**1,155**	**1,155**
Deferred income tax (revenue) / expense included in income tax expense comprises:				
Decrease / (increase) in deferred tax assets	(101)	(101)	(281)	(281)
(Decrease) / increase in deferred tax liabilities	2	2	74	74
Total	**(99)**	**(99)**	**(207)**	**(207)**

(b) Numerical reconciliation of income tax expense to prima facie tax payable:

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Net profit before tax	3,292	3,292	3,876	3,876
Tax at the Australian tax rate of 30% (2014:30%)	988	988	1,163	1,163
Add tax effect of:				
Fully franked dividends received	(4)	(4)	(4)	(4)
Non deductible entertainment expenditure	7	7	5	5
(Over)/Under-provision for income tax in prior year	3	3	(7)	(7)
Other	(4)	(4)	(2)	(2)
Total income tax expense	**990**	**990**	**1,155**	**1,155**

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 2016 were $74,000 (2015: $79,000).

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% (2015: 30%).

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
NOTE 10: DIVIDENDS PAID (Continued)				
(c) Balance of franking account at year-end adjusted				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the beginning of the financial year at 30% (2015:30%)	19,507	19,507	18,160	18,160
Franking credits that will arise from payment of income tax payable as at the end of the financial year	1,086	1,086	1,369	1,369
Franking debits that will arise from payment of dividends as at the end of the financial year	(32)	(32)	(34)	(34)
Franking credits that will arise from receipt of dividends recognised as receivables as at the end of the financial year	13	13	12	12
Franking account balance for future reporting periods	**20,574**	**20,574**	**19,507**	**19,507**
NOTE 11: CASH AND DEPOSITS AT CALL				
Cash on hand	1,929	1,929	1,609	1,609
Deposits at call	23,531	23,484	17,769	17,542
Total cash and deposits at call	**25,460**	**25,413**	**19,378**	**19,151**
NOTE 12: DUE FROM OTHER FINANCIAL INSTITUTIONS				
Deposits with authorised deposit-taking institutions	154,198	152,601	84,283	82,718
Debt securities issued by authorised deposit -taking institutions	185,632	185,632	148,855	148,855
Total due from other financial institutions	**339,830**	**338,233**	**233,138**	**231,573**
Maturity analysis				
Not longer than 12 months	234,898	233,301	132,497	130,932
Longer than 12 months	104,932	104,932	100,641	100,641
Total due from other financial institutions	**339,830**	**338,233**	**233,138**	**231,573**
NOTE 13: TRADE AND OTHER RECEIVABLES				
Interest receivable on deposits due from other financial institutions	2,159	2,148	1,707	1,703
Interest receivable on loans and advances	47	47	-	-
Intercompany receivable from the securitisation trust	-	1,559	-	1,577
Sundry debtors	276	276	284	284
Clearing accounts	1,206	1,206	1,143	1,142
Prepayments	313	313	296	296
Total trade and other receivables	**4,001**	**5,549**	**3,430**	**5,002**

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.

NOTE 14: LOANS AND ADVANCES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Loans and advances				
Personal Loans	25,750	25,750	18,685	18,685
Mortgage Loans	463,201	463,201	408,554	408,554
Commercial Loans	5,663	5,663	4,995	4,995
Finance Leases	209	209	663	663
Revolving Credit	8,261	8,261	7,808	7,808
Total loans and advances	**503,084**	**503,084**	**440,705**	**440,705**
Notes receivable from the securitisation trust	-	17,628	-	23,230
Fair value of loans in hedging relationship	474	474	544	544
Less total provision for impairment	**(431)**	**(431)**	**(399)**	**(399)**
Net loans and advances	**503,127**	**520,755**	**440,850**	**464,080**
(a) Maturity Analysis				
Not longer than 3 months	9,505	9,505	8,735	8,735
Longer than 3 months and not longer than 12 months	335	335	599	599
Longer than 12 months and not longer than 5 years	22,046	22,046	16,353	16,353
Longer than 5 years	471,198	471,198	415,018	415,018
Total loans and advances	**503,084**	**503,084**	**440,705**	**440,705**
(b) Security dissection				
Secured by mortgage over real estate	467,485	467,485	413,475	413,475
Partly secured by goods mortgage	9,379	9,379	9,615	9,615
Wholly unsecured	26,220	26,220	17,615	17,615
Total loans and advances	**503,084**	**503,084**	**440,705**	**440,705**

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:

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
(c) Loan to valuation ratio				
Loan to valuation ratio of less than 80%	380,220	380,220	325,102	325,102
Loan to valuation ratio of more than 80% but mortgage insured	39,953	39,953	44,999	44,999
Loan to valuation ratio of more than 80% but not mortgage insured	47,312	47,312	43,374	43,374
Total loans secured by mortgage over real estate	**467,485**	**467,485**	**413,475**	**413,475**

NOTE 15: IMPAIRMENT OF LOANS AND ADVANCES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
(a) Provisions for impairment				
Opening balance	399	399	346	346
Impairment expense:				
Personal Loans	18	18	59	59
Mortgage Loans	18	18	12	12
Commercial Loans	0	0	11	11
Finance Leases	(9)	(9)	4	4
Revolving Credit	5	5	(33)	(33)
Closing balance	**431**	**431**	**399**	**399**

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					
	Personal Loans 2016 $'000	Mortgage Loans 2016 $'000	Commercial Loans 2016 $'000	Finance Leases 2016 $'000	Revolving Credit 2016 $'000	TOTAL 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	-	-	-	-	-	**0**
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**

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
	2015	2015	2015	2015	2015	2015
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 July 2014	176	92	0	9	69	**346**
Charge for the year	59	12	11	5	(33)	**54**
Recoveries	72	0	0	0	16	**88**
Amounts written off	(69)	0	0	(1)	(16)	**(86)**
Interest accrued on impaired loans	(3)					**(3)**
At 30 June 2015	**235**	**104**	**11**	**13**	**36**	**399**
Individual impairment	104	0	-	-	-	**104**
Collective impairment	131	104	11	13	36	**295**
	235	**104**	**11**	**13**	**36**	**399**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	145	-	-	-	-	**145**

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
(c) Impairment expense				
Movement in provisions for impairment	32	32	54	54
Bad debts written off directly:				
Personal Loans	38	38	164	164
Mortgage Loans	-	-	-	-
Commercial Loans	-	-	-	-
Finance Leases	14	14	15	15
Revolving Credit	55	55	27	27
Total impairment expense	**139**	**139**	**260**	**260**

The total of restructured loan balances for the year ending 30 June 2016 is $328,346 (2015: $713,608).

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	**2**	**2**	**5**	**5**

There was no revenue on real estate or other assets acquired via enforcement of security during the year.

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000

NOTE 16: FINANCIAL ASSETS - AVAILABLE-FOR-SALE

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
TransAction Solutions Limited (TAS)	271	271	271	271
SocietyOne Holdings Pty Ltd	1,500	1,500	-	-
Shared Service Partners Pty Ltd	50	50	-	-
Total available-for-sale	**1,821**	**1,821**	**271**	**271**

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 and Shared Service Partners Pty Ltd 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

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Preference share loss reserve loan	197	197	200	200
Total loss reserve loan	**197**	**197**	**200**	**200**

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.

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000

NOTE 18: PROPERTY, PLANT AND EQUIPMENT

(a) Fixed assets

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Leasehold improvements				
At cost	2,526	2,526	2,480	2,480
Less accumulated depreciation	(1,137)	(1,137)	(938)	(938)
	1,389	**1,389**	**1,542**	**1,542**
Plant and equipment				
At cost	1,040	1,040	1,201	1,201
Less accumulated depreciation	(703)	(703)	(833)	(833)
	337	**337**	**368**	**368**
Net Fixed Assets	**1,726**	**1,726**	**1,910**	**1,910**

(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 2016 $'000	Plant and Equipment 2016 $'000	Total 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	**538**	**404**	**942**

	Parent and Consolidated		
	Leasehold Improvements 2015 $'000	Plant and Equipment 2015 $'000	Total 2015 $'000
Balance at the beginning of the year	1,669	393	2,062
Additions	121	82	203
Disposals	(146)	(9)	(155)
Depreciation expense	(102)	(98)	(200)
Carrying amount	**1,542**	**368**	**1,910**
Gross Carrying Amount of fully depreciated	**514**	**590**	**1,104**

NOTE 19: INTANGIBLE ASSETS

(a) Intangible assets

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
At cost	4,051	4,051	3,365	3,365
Less accumulated amortisation	(2,616)	(2,616)	(2,276)	(2,276)
Net Intangible Assets	**1,435**	**1,435**	**1,089**	**1,089**

(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 Development and software 2016 $'000	Bank Status 2016 $'000	TOTAL 2016 $'000
Written down value balance at the beginning of the year	918	171	**1,089**
Additions			
Internally recognised	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**

	Parent and Consolidated		
	IT Development and software 2015 $'000	Bank Status 2015 $'000	TOTAL 2015 $'000
Written down value balance at the beginning of the year	728	-	**728**
Additions			
Internally recognised	117	136	**253**
Separately acquired	405	45	**450**
Disposals	-	-	**-**
Amortisation expense	(332)	(10)	**(342)**
Carrying amount	**918**	**171**	**1,089**
Gross carrying amount of fully amortised intangible assets	**2,226**	**-**	**2,226**

NOTE 20: DEFERRED TAX ASSETS

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
The balance comprises temporary difference attributable to:				
Amounts recognised in profit or loss				
Plant, property and equipment	(158)	(158)	(80)	(80)
Doubtful debts	129	129	120	120
Employee leave benefits	492	492	438	438
Accrued expenses	124	124	105	105
Lease incentive	332	332	237	237
Provision for make good and other	14	14	18	18
Amounts recognised in other comprehensive income				
Gain on financial assets - available for sale	(68)	(68)	(68)	(68)
Set-off of deferred tax liabilities pursuant to set-off provisions	-	-	-	-
Net deferred tax assets	**865**	**865**	**770**	**770**
Movements:				
Opening balance at 1 July	770	770	630	630
Credited / (charged) to equity	-	-	(68)	(68)
Credited / (charged) to the statement of comprehensive income	99	99	212	212
Prior year adjustment	(4)	(4)	(4)	(4)
Closing balance at 30 June	**865**	**865**	**770**	**770**
Net deferred tax assets to be recovered after more than 12 months	346	316	135	135
Net deferred tax assets to be recovered within 12 months	519	519	635	635
Total deferred tax assets	**865**	**835**	**770**	**770**
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**

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.

NOTE 21: DEPOSITS

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Member shares	58	58	59	59
Call deposits	271,578	271,578	242,917	242,917
Term deposits	435,078	435,078	366,684	366,684
Certificates of deposit	57,608	57,608	-	-
Fair value of deposits in hedging relationship	54	54	(51)	(51)
Total deposits	**764,376**	**764,376**	**609,609**	**609,609**
(a) Maturity Analysis				
Not longer than 12 months	739,317	739,317	574,733	574,733
Longer than 12 months	25,059	25,059	34,876	34,876
Total deposits	**764,376**	**764,376**	**609,609**	**609,609**

NOTE 22: TRADE AND OTHER PAYABLES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Accrued interest payable	4,519	4,519	4,842	4,842
Payable to securitisation trust	-	73	-	102
Sundry creditors and accrued expenses	948	948	859	859
Lease incentive liability	2,408	2,408	2,237	2,237
Clearing accounts	2,907	2,973	1,701	1,766
Total trade and other payables	**10,782**	**10,921**	**9,639**	**9,806**
(a) Maturity Analysis				
Not longer than 12 months	8,582	8,721	6,327	6,494
Longer than 12 months	2,200	2,200	3,312	3,312
Total trade and other payables	**10,782**	**10,921**	**9,639**	**9,806**

NOTE 23: SUBORDINATED DEBT

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Balance at end of year	994	994	990	990

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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
NOTE 24: DERIVATIVE LIABILITIES				
Interest rate swaps at fair value	418	418	593	593
(a) Maturity Analysis				
Not longer than 12 months	73	73	130	130
Longer than 12 months	345	345	463	463
	418	418	593	593
NOTE 25: OTHER FINANCIAL LIABILITIES				
Repurchase borrowings	19,979	19,979	-	-
Loans assigned to securitisation trust	-	17,393	-	22,843
Total other financial liabilities	19,979	37,372	-	22,843
(a) Maturity Analysis				
Not longer than 12 months	19,979	19,979	-	-
Longer than 12 months	-	17,393	-	22,843
	19,979	37,372	-	22,843
NOTE 26: PROVISIONS				
Current				
Annual leave	487	487	505	505
Long service leave	450	450	450	450
Post-employment benefits	385	385	240	240
Make good	-	-	24	24
Non-current				
Long service leave	73	73	100	100
Post-employment benefits	245	245	165	165
Make good	44	44	38	38
Total provisions	**1,684**	**1,684**	**1,522**	**1,522**

Movements in provisions

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

	Parent and Consolidated			
	Annual leave $'000	Long service leave $'000	Make good provision $'000	Post-employment benefits $'000
At 1 July 2015	505	550	62	405
Arising during the year	508	43	13	225
Utilised	(526)	(77)	(13)	-
Reversed during the year	-	7	(18)	-
At 30 June 2016	**487**	**523**	**44**	**630**

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000

NOTE 27: PREFERENCE SHARES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Opening balance	1,996	1,996	1,991	1,991
Write back of debt raising discount	4	4	5	5
Closing balance	**2,000**	**2,000**	**1,996**	**1,996**

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.

NOTE 28: REDEEMABLE MEMBER SHARES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Opening balance	118	118	112	112
Transfer from retained earnings	6	6	6	6
Closing balance	**124**	**124**	**118**	**118**

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.

NOTE 29: RESERVES

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Asset Revaluation Reserve				
Opening balance	158	158	-	-
Revaluation of available-for-sale financial assets	-	-	226	226
Tax on revaluation of available-for-sale financial assets	-	-	(68)	(68)
Total reserves	**158**	**158**	**158**	**158**

NOTE 30: RETAINED EARNINGS

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Opening balance	76,411	76,411	73,775	73,775
Net profit attributable to members	2,302	2,302	2,721	2,721
Transfer to redeemed preference share capital account	(6)	(6)	(6)	(6)
Dividends paid	(74)	(74)	(79)	(79)
Total retained earnings	**78,633**	**78,633**	**76,411**	**76,411**

NOTE 31: REMUNERATION OF AUDITORS

	Consolidated 2016 $	Parent 2016 $	Consolidated 2015 $	Parent 2015 $
Remuneration of the auditor for:				
Statutory audit and other assurance engagements	307,450	307,450	314,490	314,490
Taxation services	42,916	42,916	82,127	82,127
Other non-audit services	22,644	22,644	-	-
Total remuneration of auditors	**373,010**	**373,010**	**396,617**	**396,617**

NOTE 32: 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:

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Cash and deposits at call	25,460	25,413	19,378	19,151
Total cash and cash equivalents	**25,460**	**25,413**	**19,378**	**19,151**

(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

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Profit after income tax	2,302	2,302	2,721	2,721
Non-cash flows in profit after income tax:				
Net gain/(loss) on sale of property, plant and equipment	2	2	(30)	(30)
Amortisation of intangibles	437	437	342	342
Amortisation other	8	8	8	8
Depreciation	286	286	67	67
Provision for loan impairment movement	142	142	260	260
Hedging	1	1	(5)	(5)
Change in operating assets and liabilities:				
(Increase) in due from other financial institutions	(106,742)	(106,710)	(26,047)	(26,010)
(Increase) in loans and advances	(62,485)	(62,485)	(22,212)	(22,212)
Increase in provisions	131	131	63	63
(Increase) in trade and other receivables	(571)	(547)	(787)	(726)
Increase in deposits	154,767	154,767	47,066	47,066
Increase in repurchase borrowings	19,979	19,979	-	-
(Decrease) in income taxes payable	-	-	(132)	(132)
(Increase) in current tax asset	(686)	(686)	-	-
(Increase) in deferred tax asset	(96)	(95)	(90)	(90)
Increase/(Decrease) in trade and other payables	1,144	1,115	(151)	(200)
Net cash outflow from operating activities	**8,619**	**8,647**	**1,073**	**1,122**

NOTE 33: 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 and Shared Service Partners Pty Ltd 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.

(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 term deposits.

(vi) Subordinated Debt

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

NOTE 33: FAIR VALUE DISCLOSURE (Continued)

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

Consolidated and Parent

	Carrying value	Fair value as at 30 June 2016			
	2016	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'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**

Consolidated and Parent

	Carrying value	Fair value as at 30 June 2015			
	2015	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets					
Financial Assets - available-for-sale	271	-	271	-	**271**
Total Financial Assets	**271**	**-**	**271**	**-**	**271**
Financial Liabilities					
Derivative liabilities	593	-	593	-	**593**
Total Financial Liabilities	**593**	**-**	**593**	**-**	**593**

NOTE 33: FAIR VALUE DISCLOSURE (Continued)

(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 2014	45	45
Purchases	-	-
Sales/Settlements	-	-
Gains/(losses) in the period:		
Recognised in the Statement of Comprehensive Income	226	226
Transfers in/(out)	(271)	(271)
As at 30 June 2015	-	-
Gains/(losses) recognised in the Statement of Comprehensive Income for financial instruments held as at 30 June 2015	226	226
As at 1 July 2015	-	-
Purchases	1,550	1,550
Sales/Settlements	-	-
Gains/(losses) in the period:		
Recognised in the Statement of Comprehensive Income	-	-
Transfers in/(out)	-	-
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	-	-

NOTE 33: FAIR VALUE DISCLOSURE (Continued)

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

Consolidated

	Carrying value	Fair value as at 30 June 2016			
	2016	Level 1	Level 2	Level 3	Total
	$'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**

Consolidated

	Carrying value	Fair value as at 30 June 2015			
	2015	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets					
Cash and cash equivalents	19,378	19,378	-	-	**19,378**
Due from other financial institutions	233,138	233,788	-	-	**233,788**
Trade and other receivables	3,430	-	-	3,425	**3,425**
Loans and advances	440,850	-	544	440,663	**441,207**
Loss Reserve Loan	200	-	-	200	**200**
Total Financial Assets	**696,996**	**253,166**	**544**	**444,288**	**697,998**
Financial Liabilities					
Deposits	609,609	-	611,309	-	**611,309**
Trade and other payables	9,639	-	-	9,639	**9,639**
Subordinated debt	990	-	1,000	-	**1,000**
Other financial liabilities	-	-	-	-	**-**
Total Financial Liabilities	**620,238**	**-**	**612,309**	**9,639**	**621,948**

NOTE 33: FAIR VALUE DISCLOSURE (Continued)

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

Parent

	Carrying value	Fair value as at 30 June 2016			
	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	-	**100**
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**

Parent

	Carrying value	Fair value as at 30 June 2015			
	2015	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000
Financial Assets					
Cash and cash equivalents	19,151	19,151	-	-	**19,151**
Due from other financial institutions	231,573	232,223	-	-	**232,223**
Trade and other receivables	5,002	-	-	4,997	**4,997**
Loans and advances	464,080	-	543	463,893	**464,436**
Financial Assets - available-for-sale	271	-	271	-	**271**
Loss Reserve Loan	200	-	-	200	**200**
Total Financial Assets	**720,277**	**251,374**	**814**	**469,090**	**721,278**
Financial Liabilities					
Deposits	609,609	-	611,309	-	**611,309**
Trade and other payables	9,806	-	-	9,806	**9,806**
Subordinated debt	990	-	1,000	-	**1,000**
Derivative liabilities	593	-	593	-	**593**
Other financial liabilities	22,843	-	22,843	-	**22,843**
Total Financial Liabilities	**643,841**	**-**	**635,745**	**9,806**	**645,551**

NOTE 34: 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. Computer equipment leases were also entered into during the year. 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 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Not longer than 1 year	1,263	1,263	1,192	1,192
Longer than 1 and not longer than 5 years	5,265	5,265	5,576	5,576
Longer than 5 years	4,475	4,475	4,808	4,808
Total operating lease commitments	**11,003**	**11,003**	**11,576**	**11,576**

(c) Undrawn Loan Commitments

	Consolidated 2016 $'000	Parent 2016 $'000	Consolidated 2015 $'000	Parent 2015 $'000
Loans approved but not funded	18,636	18,636	8,078	8,078
Undrawn lines of commitment	22,453	22,453	21,001	21,001
Loan redraw facilities	24,734	24,734	24,726	24,726
Undrawn Loan Commitments	**65,823**	**65,823**	**53,805**	**53,805**

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 35: CONTINGENT LIABILITIES

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 3.1% (2015: 3.2%) 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: 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 2016 to Structured Asset Finance structured entities is $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	2016 $'000	2015 $'000
Loans and receivables	6,828	-
Total maximum exposure to loss	6,828	-

NOTE 37: 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
A Green - Director
K V Hawkins - Director
D A Taylor - Director
G N Hammond - Director

(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:

	2016 $	2015 $
• Short-term employee benefits	2,561,036	2,285,344
• Retirement benefits paid	-	106,513
• Termination benefits	106,249	-
• Post-employment benefits - net increase/(decrease) in retirement benefits provision	226,408	211,152
• Other long-term benefits - net increase/(decrease) in long service leave provision	10,075	29,940
Total remuneration of key management personnel	**2,903,768**	**2,632,949**

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 37: RELATED PARTIES DISCLOSURES (Continued)

(c) Loans to Key Management Personnel (continued)

	2016 $	2015 $
(i) The aggregate value of loans to key management personnel and close family members as at balance date amounted to	**8,679,816**	**7,652,772**
(ii) The total value of revolving credit facilities to key management personnel and close family members as at balance date amounted to	129,000	163,000
(iii) Less amounts drawn down and included in total loans above	(30,901)	(49,743)
Net balance available	**98,099**	**113,257**
Interest and other revenue earned on loans and revolving credit facilities to key management personnel and close family members	**322,969**	**343,622**

(d) Deposits from Key Management Personnel

	2016 $	2015 $
Total value of term and savings deposits from key management personnel and close family members at balance date	**2,863,453**	**621,168**
Total interest paid on deposits to key management personnel and close family members	**3,653**	**569**

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 38: EVENTS AFTER BALANCE SHEET DATE

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.

No goodwill was acquired as a result of the transfer as Quay Credit Union had surplus net assets in excess of the value of the shares issued by the credit union.

The cost to G&C Mutual Bank was represented by the issue of the 7,064 shares to the former members of Quay Credit Union.

While the fair value of the shares on a winding up may exceed the withdrawable value, the members of the transferring credit union are only entitled to the withdrawable value of the shares. The value of the shares issued was therefore retained at the withdrawable value of $68,784 in aggregate.

There are no contingent considerations or indemnification assets.

NOTE 38: EVENTS AFTER BALANCE SHEET DATE (Continued)

The provisionally determined fair value as at the acquisition date for each major class of assets acquired and liabilities assumed, are as follows:

	Fair Value $'000
Cash and deposits at call	16,748
Due from other financial institutions	70,262
Trade and other receivables	725
Loans and advances	130,867
Financial assets - available-for-sale	447
Property, plant and equipment	-
Intangible assets	20
Current tax assets	250
Deferred tax assets	181
Deposits	(198,879)
Trade and other payables	(2,905)
Provisions	(83)
Redeemable member shares	(138)
Net assets acquired	17,495

At the time the financial statements were authorised for issue, the group had not yet completed the accounting for the transfer of Quay Credit Union's business. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally as the independent valuations have not been finalised. It is also not yet possible to provide detailed information about each class of transferred receivables and any contingent liabilities of the transferred entity.

On 1 September 2016, G&C Mutual Bank's incorporated name was changed from SGE Mutual Limited to G&C Mutual Bank Limited. This change was approved by members' at G&C Mutual Bank's Annual General Meeting held on 6 October 2015.

No other matter or 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.

CORPORATE DIRECTORY

AUDITORS

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

SOLICITORS

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Chief Executive Officer
Dave Taylor

EXECUTIVE MANAGEMENT

Rosanna Argall
Deputy CEO and Company Secretary

Michael Coburn
Chief Sales Officer

Mike Fenech
Chief Operating Officer

Andrew Prichard
Chief Risk Officer

Registered Office
Level 25, 201 Elizabeth Street
Sydney NSW 2000
Phone: 1300 364 400
Email: gcmb@gcmutualbank.com.au
Web: www.gcmutualbank.com.au

SERVICE CENTRES

Sydney
Level 25, 201 Elizabeth Street, Sydney

Bathurst
Shop 5/201 Howick Street, Bathurst

Lismore
60 Molesworth Street, Lismore

Liverpool Hospital
Shop 1 Ground Floor
Clinical Services Building
Elizabeth Street, Liverpool

Malabar
Detention Centre Anzac Parade, Malabar

Melbourne
Level 1, 128 Exhibition Street, Melbourne

Newcastle
328 King Street, Newcastle

Parramatta
Level 8, 20 Smith Street, Parramatta

Wagga Wagga
125 Bayliss Street, Wagga Wagga

G&C Mutual Bank Limited
Incorporated in New South Wales
ABN 72 087 650 637
AFSL/ACL 238311

Prudential disclosure information can be located at www.gcmutualbank.com.au/disclosure-documents

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