Annual Report and Sustainability Update 2017-2018

TEACHERS MUTUAL BANK LIMITED

Firefighters Mutual Bank
Teachers Mutual Bank
UniBank

Contents

Annual Report and Sustainability Update 2017-2018

Our Vision

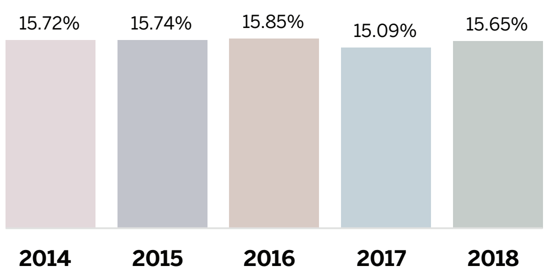
To be the largest, most successful and respected Australian mutual bank primarily focused on serving the Australian education sector and other niche markets in the professional and essential services sector.

Key Financial Performance

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

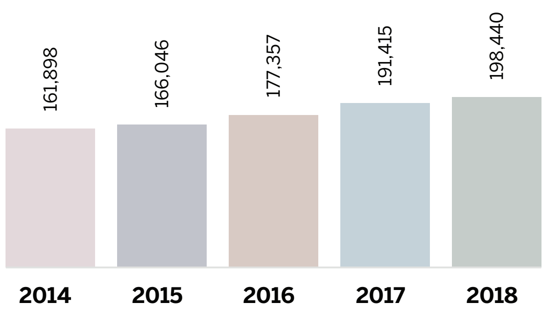
Capital adequacy ratio

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



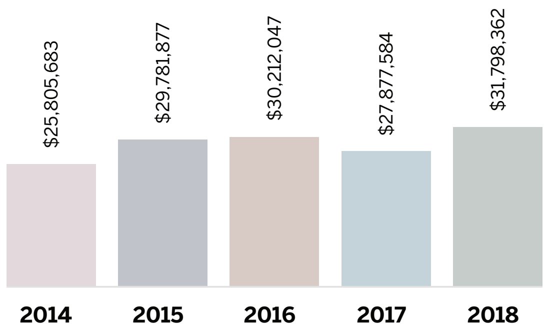
Membership

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



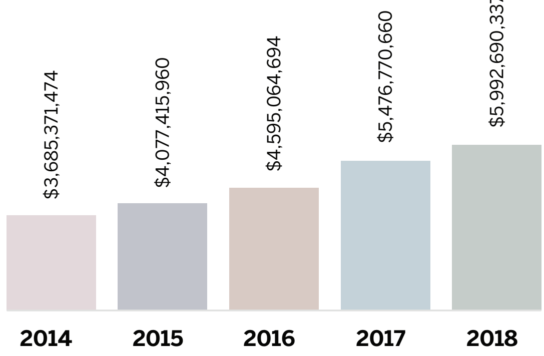
Profit after income tax

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



Loan balances

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

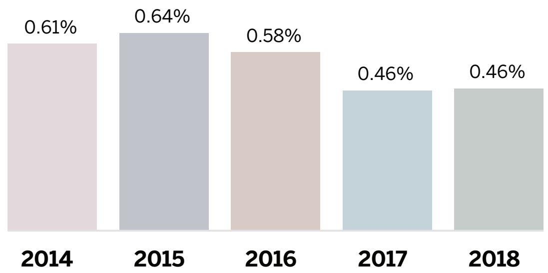


[1] *Parent (Bank) – not consolidated group.*

We achieved a healthy net profit of $31.8 million after tax, and maintained a high capital adequacy ratio at 15.65%, comfortably above prudential requirements.

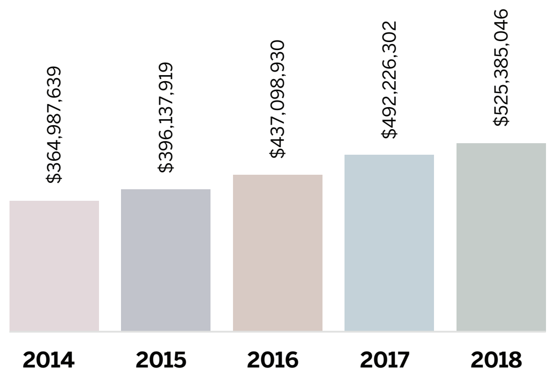
Return on assets

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



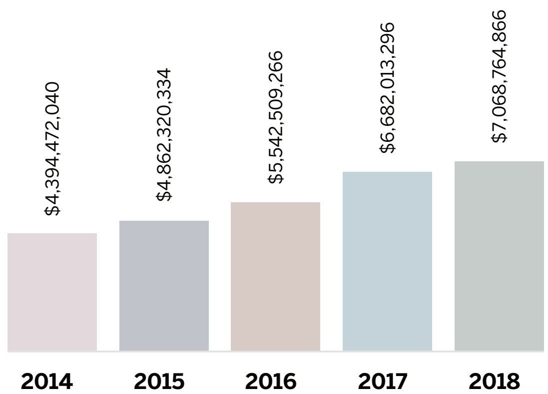
Reserves

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



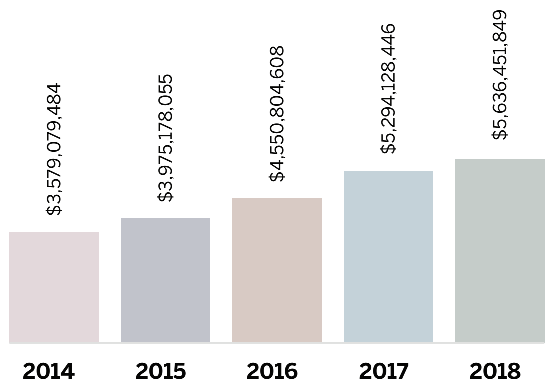
Assets

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



Member deposits

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



Chairperson and CEO's Report

In our 52nd year of operation, we have continued to build our brand as one of Australia's largest and most successful mutual banks.

This year we reached a milestone of $7 billion in assets held on behalf of over 198,000 members. Teachers Mutual Bank Limited now supports three brands under its umbrella: our Teachers Mutual Bank, Firefighters Mutual Bank, and UniBank.

Our Teachers Mutual Bank, UniBank, and Firefighters Mutual Bank strategies have seen all brands, particularly across our home loans portfolio, grow very successfully and all brands continue to demonstrate strong value for our members and our overall business strategy.

This year we have brought a greater focus to ensuring members have quick, convenient payments and digital services across all brands. We worked with Cuscal, our service provider to build new digital mobile apps for UniBank and Firefighters, and in late 2017 launched a brand new mobile app for Teachers Mutual Bank.

We've also focussed on providing cutting-edge technology to our members. In line with this commitment this year we rolled out the New Payments Platform to all our members. This platform allows for real-time payments to be made between different participating financial institutions. As one of the first Australian banks to offer this service, we were proud to once again lead the way with this innovation. Of course, we continue to supply the increasingly popular Apple Pay, Google Pay, and Samsung Pay payments platforms to all members.

At an organisational level Teachers Mutual Bank Limited has posted another strong net profit this year, of $31.8 million. This result has been achieved despite the continuation of the low-interest rate and competitive environment and ongoing economic and political uncertainty nationally and internationally.

This year the banking sector has faced significant challenges too. The Royal Commission into conduct in the Banking, Superannuation and Financial Services Industry has revealed unacceptable practices across some major parts of the Australian financial services sector. Although the mutual banking industry has shown it puts members first consistently, we do anticipate this will see the financial services sector face further regulatory burdens over the coming months. We have supported the Customer-owned Banking Association's campaign to ensure this regulation does not disproportionately impact our sector.

Our Board of Directors and management continue to ensure we balance our business to maintain great member value, whilst ensuring our business position is strong. Not only has our asset base grown by 5.8% to $7 billion, we have maintained our high capital adequacy ratio at 15.65%, further highlighting the consistency and integrity of our operational standards.

Beyond our function as a financial institution, we also believe we have a function as a socially responsible institution. To this end, we have continued to invest heavily in our community. This year we invested 6.9% of net profits after tax back into community initiatives, according to the international London Benchmarking Group measures. This is 23 times the London Benchmarking Group Australia and New Zealand Financial sector average of 0.3%. Our visible action on community investment and ethical practice is a key reason we've been cited as one of the Ethisphere Institute's World's Most Ethical Companies for a fifth consecutive year.

These results show what we care about most. Giving our members access to great products and services, investing in new technology, building a financially strong bank, and placing an emphasis on community investment and ethical practice across our business.

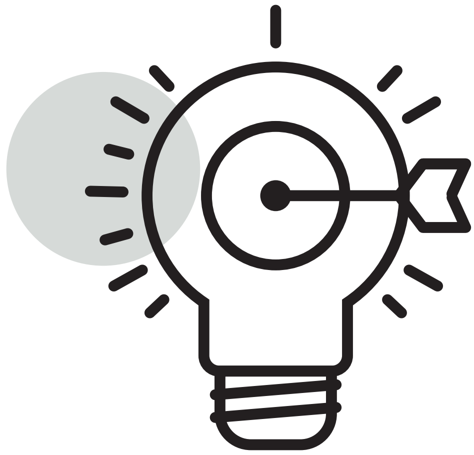
Thanks to our skilled and experienced Board of Directors and Management Team for the excellent control of expenses during a year of strong growth and expansion. Our thanks go to our staff for their commitment and professionalism in embracing our strategic objective to grow our brands for the benefit of you, our members.

For 52 years we have been dedicated to one purpose – assisting you, our members to build wealth and enjoy financial well-being throughout your lifetime. You, our members are the reason we exist and we are honoured to serve you.

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

John Kouimanos
Chairperson

Steve James
Chief Executive Officer



This year we invested 6.9% of net profits after tax back into community initiatives, which equates to 23 times the Australian financial sector average.

Members

Putting our members' needs first

We help our members to build strong financial futures by providing award-winning competitive products, a wide range of digital and mobile service options, and exceptional customer-focused service.

On the road!

Our business relationship staff travel to regional centres to ensure that members outside larger metropolitan areas have access to the professional service and personalised experience they expect from the bank.

We focus on customer care

Our dedication to high-quality customer service continues to put us in the forefront of the market. Research from GALKAL highlights that we continue to provide excellent customer service across all brands, with Firefighters Mutual Bank (92%), Teachers Mutual Bank (93%), UniBank (92%), all registering high rates of customer satisfaction. In addition, according to independent Roy Morgan Research nearly three-quarters of Teachers Mutual Bank members said that they would be 'highly likely' to recommend us to friends or colleagues, making us a clear market leader for advocacy. Our customer service, efficiency, and friendly, helpful staff are the main reasons why our members continue to rank us so highly.

We're making payments instant

This year's launch of our New Payments Platform (NPP) enabled more than 193,000 of our members to access instant payments through their mobile and internet banking platforms. The platform represents a new level of convenience, enabling members to safely and securely transfer money in seconds – whether they are shopping, paying bills, or splitting a restaurant bill between friends. We were one of the first financial institutions in Australia to rollout the New Payments Platform to all of our members at its launch. This is just one example of how we strive to serve members across all of our brands. We know our members are already busy enough working, studying and serving the community without having to worry about slow transaction times to pay bills or receive money.

We're providing award-winning products

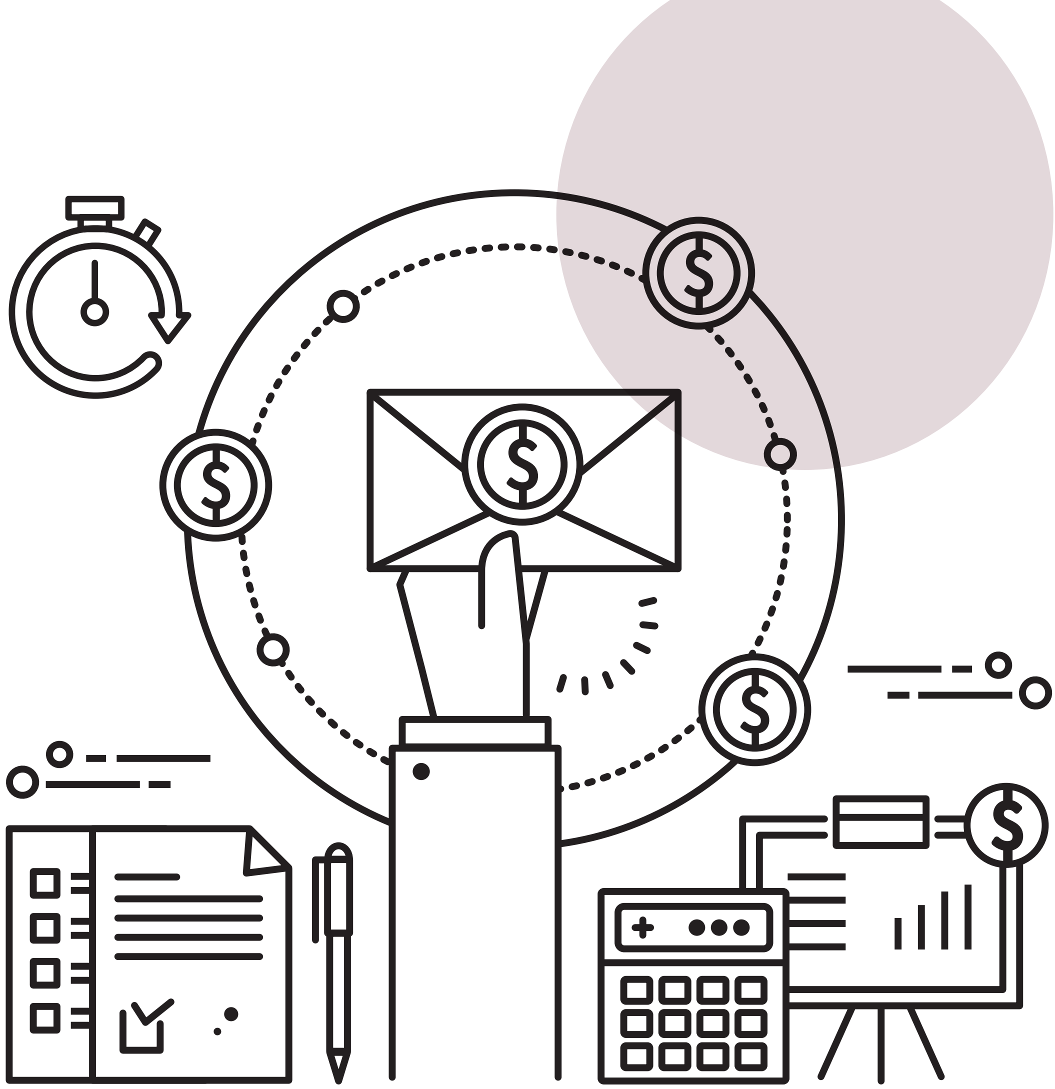
We pride ourselves in our ongoing commitment to member value and service, and as a result our members are accustomed to having access to some of the most competitive financial products that the market has to offer. Once again this year, we were recognised by both *Money Magazine* and *Mozo* for the great options we provide to depositors and borrowers. In Money Magazine's Best of the Best 2018 Product Awards we were awarded 'Best Term Deposit – Long-Term' while our Visa Credit Card was awarded a 2017 Mozo Experts Choice Award for Low Rate Credit Card and No Annual Fee Credit Card, as well as a 2018 Award for Low Rate Travel Credit Card.

We're helping you bank on-the-go

Our members continue to enjoy a wide range of great options that increase their financial flexibility and help them take control of their financial journeys. Access to mobile payment platforms Google Pay, Apple Pay, and Samsung Pay helps streamline payments for members. Members have access to a variety of payment methods, whether through mobile or online platforms. Many transactions can now be done with a simple of wave of a smartphone, saving members valuable time in their busy lives.

We're expanding our branch network

Serving our members means being available where and when they need us. The August 2017 opening of a new office in West End, Brisbane was the latest in our continuing efforts to deliver quality services to members of all brands in Queensland. In Western Australia, our new premises in West Perth provides convenient access and personal service for members of all our brands.



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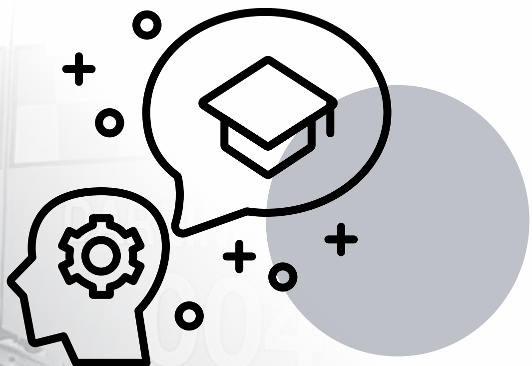
We're bringing the bank to our members

We know our members are busy, whether at school and university, or serving and protecting their communities, so – we bring the bank to them. This year our teams once again ensured we got out to our members and prospective members: Teachers Mutual Bank hosted nearly 250 member engagement events, made 1223 visits to schools, held 49 university events, supported more than 170 conferences and got involved with more than 50 Orientation Week Events. Firefighters Mutual Bank conducted over 225 Fire and Rescue Station visits across NSW, WA and ACT regions, and UniBank held more than 200 events nationally reaching graduates, students, and professionals in the university sector.

Our business relationship staff travel to regional centres to ensure that members outside larger metropolitan areas have access to the professional service and personalised experience they expect from the bank.

In the past year we have also run a number of kiosks in high-profile shopping centres such as Westfield Hurstville in Sydney, Westfield Kotara in Newcastle and Broadway shopping centre in central Sydney, providing members and prospective members with greater access at convenient locations and with extended operating hours.

Enhancing our employees' experience



This year, 84 staff members were enrolled in courses ranging from certificate level to postgraduate study.

Delivering outstanding service for our members starts with recognising and supporting the quality work and ongoing commitment of our employees.

We understand that our success relies on the people who work with us. To provide our members with the excellent service they have come to expect, it is vital that we attract excellent staff and support their ongoing development.

We achieve these goals by investing in our employees to reach their full potential, by committing to gender equality in the workplace, and by celebrating the diversity of cultures in a way that makes people proud to be part of our team.

We support high-performance

Our talentSmart+ high-potential employee program develops team members recognised for their achievements, capability and outstanding performance. It offers them opportunities to raise their profiles within the company and for personal growth and professional development. The program also aims to achieve greater diversity in senior roles by ensuring equal gender representation of participants.

Tangible benefits of attending the program are already apparent for this year's cohort, with eight of eleven participants having gone on to new roles in the business. In addition, a core element of the program gives participants the chance to undertake group challenges in areas of business interest and apply knowledge across different departments. In 2017 the talentSmart+ group focused on internal Corporate Social Responsibility (CSR) initiatives, which resulted in record levels of contributions to employee charity days.

We have award-winning career development

This year we were awarded *Best Career Development Programme* at the 2018 Australian Retail Banking Awards, an award that recognises excellence in career development across the banking sector. Our programs encourage employees to develop their skills and knowledge by providing assistance for approved studies such as certificates, diplomas, undergraduate and postgraduate courses, as well as professional accreditations. Support for programs of study includes both study leave and financial assistance. This year, 84 staff members were enrolled in courses ranging from certificate level to postgraduate study.

We're an Employer of Choice for everyone

For the third consecutive year, we were awarded the *Employer of Choice for Gender Equality* citation by the Workplace Gender Equality Agency, making us one of just 120 Australian companies to receive this citation in 2018. This achievement once again highlights our status as one of Australia's leading organisations for championing gender equality.

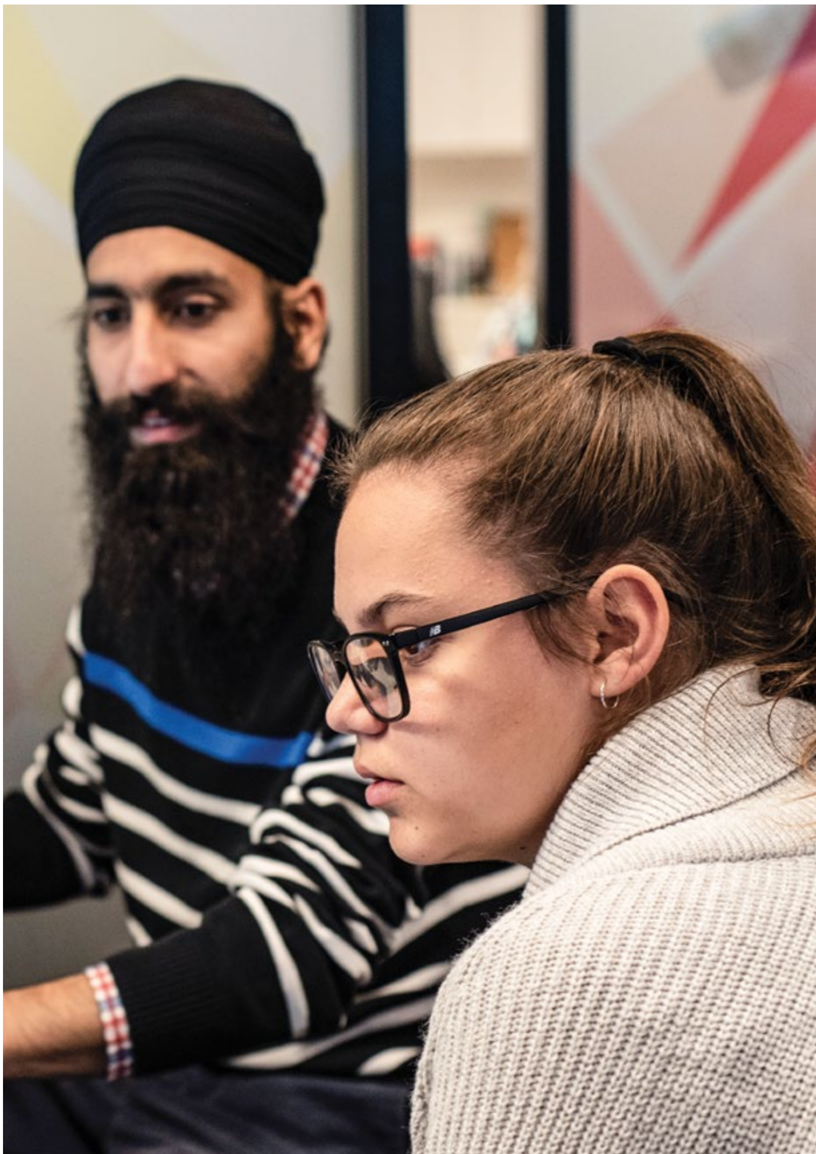
We also met a significant milestone in our ongoing commitment to gender equality, as we achieved our target of over 40% female representation in management, in line with in our Gender Diversity Strategy. We remain dedicated to providing access to flexible working arrangements and career development opportunities to all employees regardless of gender.

We're creating opportunities for Indigenous students

In 2017 our Learning and Development team worked with the New South Wales Department of Education to develop a work placement program for Indigenous students from Sydney's Western Suburbs.

Coordinated through our Western Sydney office, the program allows for real world business experience for interested Indigenous students. Program placements were offered to two Year 10 Chifley College students for a 10-week period. The program, now in its second consecutive year, will continue to offer further placements to aspiring Indigenous students.

Our Learning and Development team worked with the New South Wales Department of Education to develop a work placement program for Indigenous students from Sydney's Western Suburbs.



Acting on our values

We base our business practices on our ethical values. We practise responsible lending and ensure our business activities have a positive impact for our members and the broader community.

Community investment

We sustained our global leadership in community investment for the sixth year running, with an investment of 6.9% of pre-tax profits as measured by London Benchmarking Group (LBG).

Sustainability is a core value that we integrate into our operations, ethos and business relationships. Once again this year we are proud to have been recognised as a global leader in ethical and socially responsible behaviour, as we're always looking for ways to improve our policies and the sustainability of our business.

As one of the World's Most Ethical Companies, we're committed to ethical leadership in the Australian financial services sector and to the highest standards of ethical business practices.

We benchmark ourselves against industry leaders around the world using a number of highly regarded independent measurements, including those of the Ethisphere Institute, the London Benchmarking Group (LBG) and the Responsible Investment Association Australasia (RIAA). We are proud that over the past year we have once again strengthened our position as a leader in ethical business while simultaneously achieving strong financial growth.

We're advocating for housing affordability

This year we commissioned the *Key Worker Housing Affordability in Sydney* report, the first of its kind in Australia. Undertaken by the University of Sydney's Urban Housing Lab, this wide-ranging study provided in-depth analysis of declining levels of housing affordability across greater and metropolitan Sydney for 'key workers' (including teachers, firefighters, nurses, police, ambulance drivers and paramedics).

The report concluded that emergency and essential services are being put at risk as key workers are priced out of Sydney metropolitan areas. The report identifies five key priorities for policy makers and private sector stakeholders to consider and is a major step toward addressing this important issue.

We're investing in communities

We sustained our global leadership in community investment with an investment of 6.9% of pre-tax profits as measured by LBG. Once again, we far outperformed other domestic and foreign companies with an investment rate that was more than five times the international average, 11 times the Australia and New Zealand average, and 23 times the Australia and New Zealand finance services sector average.

We're still one of the World's Most Ethical Companies

We upheld our position for the fifth year in a row on the Ethisphere Institute's list of the World's Most Ethical Companies. This designation was granted to just 135 companies worldwide for 2018; we're the only Australian company and one of only four banks globally to be named on the list. This recognises superior achievements in transparency, integrity, ethics, and compliance and demonstrates that we are committed to prioritising ethical business practices.

We're increasing opportunities for ethical investment

Our ethical bond issuance increased by $200m to $420 million, with proceeds used to fund the balance sheet for residential mortgages for the three bank brands. This is the first wholesale cash product in Australia to be designated as a Certified Ethical Investment by the RIAA. The issuance took meaningful steps to ensure our reputation as a responsible and ethical financial institution, and a pioneer in ethical bond issuance.

We're supporting financial literacy around the world

We continue to invest in the *Cufa Children's Financial Literacy (CFL)* program in Cambodia which gives children aged 6-12 who are living in poverty the opportunity to create

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a brighter future for themselves and their families. Now in our third year supporting the program, we are proud to have helped deliver tangible results, including 26,454 children educated, 17,410 children actively saving, 220 teachers trained, and 1,029 financial literacy lessons held. Over the course of the Bank's three-year $177,000 investment in the CFL program, children reached by the project have managed to save over $430,000 – an incredible achievement for some of the most economically disadvantaged areas in Cambodia. Cufa's social return on investment (SROI) evaluation showed that for every dollar invested in the Children's Financial Literacy program, $2.60 of social value is generated, meaning that the impact of the Bank's investment is almost tripled.

Investing in our community

In 2017 we provided vital scholarship support to leading educators to further their professional development.

Since our foundation, we have proudly supported our members through community investment in projects and initiatives that reflect our shared goals and social values. These are just a small sample of the ways we provide support for our community.

We're supporting rural and remote teachers

We believe in supporting teachers' access to development opportunities. That's why, this year, we have been very proud to continue our partnership with Bell Shakespeare by funding the 2017 Regional Teacher Mentorship. The program recognises outstanding teachers in our regional communities, giving 30 teachers from regional, rural and remote Australian schools a fully-funded one-year mentorship with the company.

This mentorship helps to develop these teachers' careers, while enriching the learning experience of their students. In addition to four days of accredited professional learning at Bell Shakespeare headquarters in Sydney, recipients receive specialist training in practical and innovative strategies for teaching Shakespeare – as well as the opportunity to collaborate and network with other regional teachers from around Australia. On returning to their schools, teachers receive ongoing support from Bell Shakespeare artists and staff and ongoing access to in-school and in-theatre programs.

We're backing leading educators

In 2017 Teachers Mutual Bank, in association with the Public Education Foundation, provided vital scholarship support to leading educators to further their professional development. This year, four scholarships were awarded, each of which included program tuition for participants to travel to America and undertake a professional education program tailor-made for school principals at Harvard Graduate School of Education. These scholarships were established in 2013 to offer school principals the opportunity to 'reflect, focus and recharge' through professional leadership programs. The scholarship program reflects our commitment to supporting excellence in public education across Australia and we remain dedicated to our ongoing partnership with the Public Education Foundation.

We're championing our student athletes

UniBank was the official Bank Partner of the 2017 UniGames. Held on the Gold Coast, UniGames brought together over 9,000 students from 42 universities all over Australia to participate in over 30 different sports – making it the single largest student sporting event in Australia. Besides UniBank's financial support, over the five days of the UniGames, UniBank staff ran leisure activities for the competitors and engaged with the students and spectators in attendance.

We're encouraging great minds to speak

UniBank was the Platinum Sponsor for the 2017 Three Minute Thesis (3MT) competition, where PhD students were challenged with presenting an 80,000-word thesis in three minutes. The University of Queensland founded 3MT, which has become the longest-running competition of its kind in the world. The winner of 3MT receives $5,000 from UniBank to assist them in their academic journey as an emerging new researcher.

We're promoting emergency services

Collaborating and exchanging information is essential to promote continued success in emergency management and Firefighters Mutual Bank was proud to sponsor the dinner of the 2017 Annual Conference of the Australasian Fire and Emergency Service Authorities Council (AFAC), at which more than 1,100 attendees had opportunities to share insights and experience among members who serve in this vital sector.

The AFAC17 event in Sydney brought together more than 3,200 people to discuss the latest in research and practice in emergency services and natural hazards management. Under the conference theme 'Collaborating for Success – Improving performance in emergency management' the program boasted more than 100 speakers.

We're standing by our firefighting community

We supported the Firefighters Climb for Motor Neurone Disease for a second consecutive year. This year saw 600 firefighters from ten different agencies across Australia take on the challenge of climbing up the 1,504 steps in the Centrepoint Tower in Sydney. Employees from Firefighters Mutual Bank stood by the firefighters, ensuring they were hydrated and giving encouragement as they undertook the gruelling climb.

We supported the Firefighters Climb for Motor Neurone Disease for a second consecutive year, which saw 600 firefighters climbing up all 1,504 steps of the Centrepoint Tower in Sydney.


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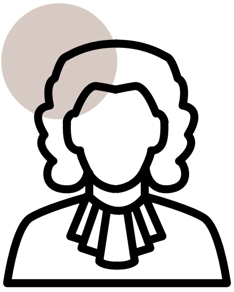
CSR targets and KPIs

Sustainability KPIs and targets

We report on our environmental, social and governance performance annually, and in 2018 we reviewed and strengthened our 85 targets and KPIs for Teachers Mutual Bank Limited. This helps to show we put sustainability at the forefront of our business, and integrate it throughout our operations, systems and relationships.



GDS milestone

We achieved our target of over 40% female representation in management, in line with in our Gender Diversity Strategy.

Members	**2015-2016**	**2016-2017**	**2017-2018**
Member satisfaction rating[1]	93%	93%	93%
Member engagement events hosted	237	207	246
Formal complaints received by external bodies[2]	n/a	n/a	0
Members assisted through the Credit Assistance program	130	159	115

Community	**2015-2016**	**2016-2017**	**2017-2018**
Total community investment (as measured by LBG) (FY2017 data[3])	$1,977,000	$2,412,000	$2,712,661
% of net profits before tax (NPBT)	4.7%	5.4%	6.9%
School visits	1,169	1,150	1223
Conferences supported	161	134	209
Employee fundraising	$24,336	$17,984	$23,564

Employees	**2015-2016**	**2016-2017**	**2017-2018**
Percentage of females in management	38%	37.5%	41%
Employee satisfaction[4]	83%	78%	n/a*
Employee engagement rating	82%	81%	n/a*
Employee turnover rate	8%	10.3%	9%
Employees currently studying	17%	15%	15.5%
Study leave days granted	209	154	129
Worker compensation claims[5]	4	6	4
Staff satisfaction with workplace health & safety (WH&S)	93%	89%	n/a*
Average lost time incident rate (in days)	17	28	16

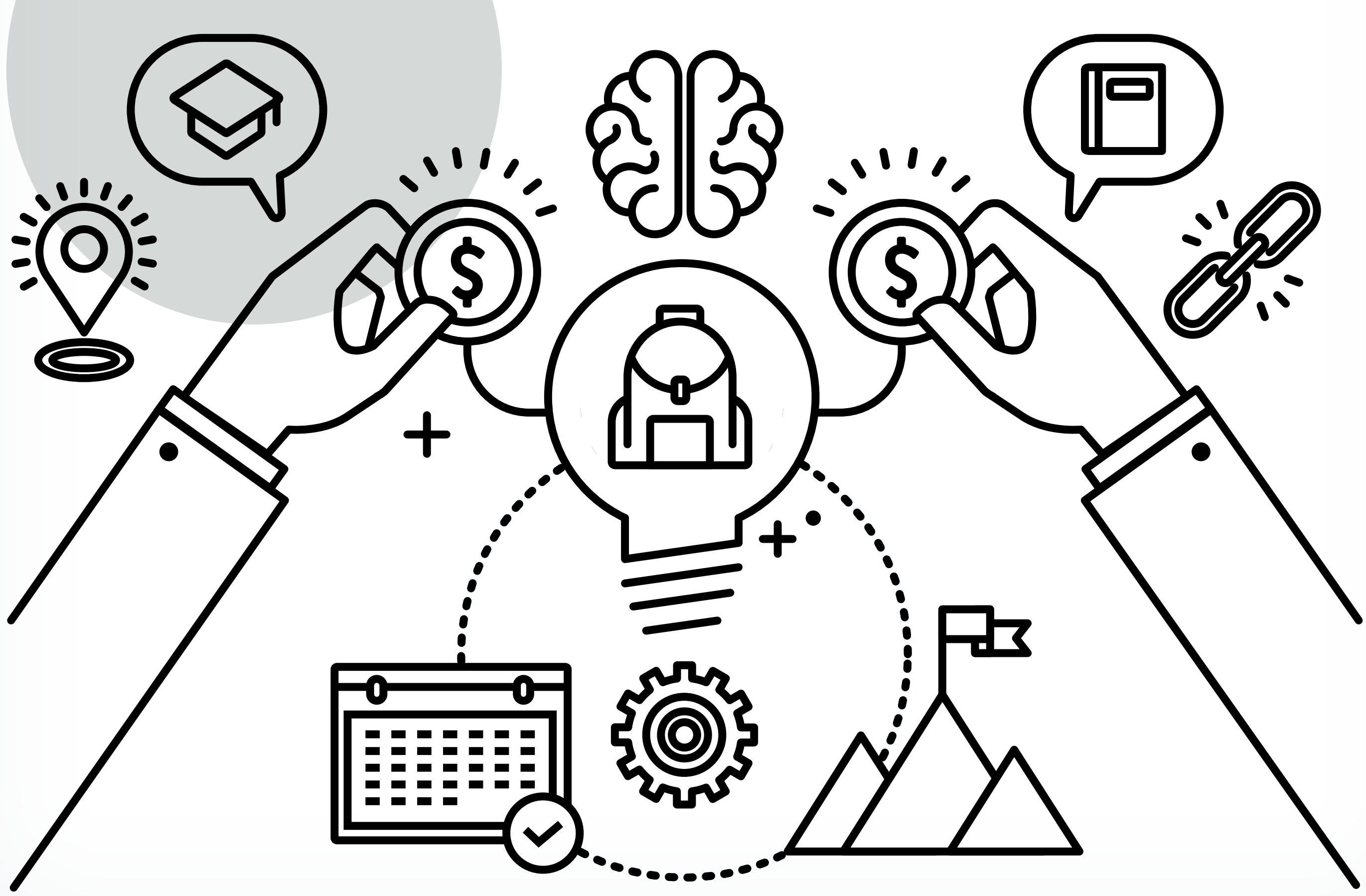
Environment	**2015-2016**	**2016-2017**	**2017-2018**
Paper recycled (tonnes)	38.5	36.5	39
Paper use per employee (kg/FTE)	134	102	118
Waste generated per employee (kg/FTE)	132	81	67
Electricity generated by solar panels (KWh)	0	220,596	254,119
Emissions intensity (tCO2-e per million $ of assets)	0.24	0.17	0.16

*[1] As measured by the Member Satisfaction Survey conducted by GALKAL. [2] The previous measure was called 'Disputes lodged with external bodies' for which there were 11 complaints in 2015-16 and 10 complaints in 2016-17. [3] See footnote 1 on page 25. [4] Data from Teachers Mutual Bank Limited internal staff survey. [5] In 2016-2017, this consisted of two lost time occurrences and four medical expense claims. * No data available due to Annual Staff survey being undertaken after FY2018.*

Sustainable business practice

Strive for international leadership in sustainable business practices[1]	International leadership is measured and recognised by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, in their World's Most Ethical Companies 2018 list. In 2018 we are 1 of 135 companies worldwide and 1 of only 4 banks named. The recognition honours superior achievements in transparency, integrity, ethics and compliance, and underscores an honouree's commitment to leading with integrity and prioritising ethical business practices. Scores are generated in five key categories: ethics and compliance program (35%), corporate citizenship and responsibility (20%), culture of ethics (20%), governance (15%) and leadership, innovation and reputation (10%). We are a member of the Global Alliance for Banking on Values (GABV), a network of banking leaders from around the world committed to advancing positive change in the banking sector. We adhere to and support the GABV Principles of values-based banking, and are a signatory of the GABV Kathmandu Pledge.
Benchmark and report on our community investment using the London Benchmarking Group (LBG) global standard[2]	FY2017 is the sixth year that we benchmarked our community investment in the LBG. The Bank is a global leader in community investment for the sixth year running, based on the results of the 12th LBG Annual Review of Community Investment 2017. In FY2017, Teachers Mutual Bank's $2.7 million community investment is 6.9% of pre-tax profits (NPBT), equal to 9.8% of profits after tax (NPAT). The LBG also measures the focus area of community investment – the Bank directs 98% of its community investment into 'Education and Young People' compared to 18% for the Au & NZ average.
Board meetings have Corporate Social Responsibility (CSR) as a standing agenda item	12 Board meetings were held, with CSR as a standing agenda item. The Board also has an annual CSR Strategy presentation and discussion.
CSR Policy and CSR Committee Charter is reviewed and updated annually by the Board	The CSR Policy 2220 and the CSR Committee Charter were updated and approved by the Board in April 2018. Corporate Social Responsibility Policy (CSR) 2220 establishes our approach to ethical business and social responsibility practices and how we deliver on our responsibilities and commitments across 200+ actions.
Environmental, Social and Governance (ESG) issues embedded in our lending and investment practices	ESG issues are embedded in our lending and investment practices . The Business objective of Lending Risk Policy 2236 is 'The Bank strives to provide quality services to members via ethical and prudent lending practices that are financially, socially and environmentally sustainable.' In 2018 we formalised ESG exclusion criteria in this Policy. 'Various lending opportunities are disqualified from the Bank's lending origination business. Such exclusions are where the primary purpose of the entity or business is alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, gambling, military activities, political activities, pornography, slavery, tobacco or uranium.'
Maintain RIAA certification as an Ethical Bank[3]	The Bank's wholesale market ethical bond issuance reached A$420 million, with the single largest issuance of $200m. The TMBL $500m Debt Issuance Programme (DIP) for wholesale investors is a Certified Ethical Investment by the RIAA. The Bank is an issuer of Certified Ethical Investment product. Certification[4] started in June 2015 for the first two-year period and was extended for a further two years, from June 2017 to June 2019. We are the first bank in Australia to have a Certified Ethical Investment wholesale cash product, and it is the first that is based on fossil fuel lending and investing exclusion. Proceeds are used to fund the balance sheet, largely residential mortgages for Teachers Mutual Bank, UniBank and Firefighters Mutual Bank members.
Public disclosure of our investment policy on climate change and fossil fuels	Our position is published on our website. The Bank has zero direct investment in any large-scale greenhouse polluting activity or company. The Bank does not use members' funds to finance large-scale greenhouse-gas pollution. The Bank does not use members' deposits to directly lend to, buy equity or debt in, any large-scale greenhouse polluting activities from fossil fuel exploration, extraction, production and use.
Implement a national Stakeholder Strategy utilising our Stakeholder Engagement Standard	We broadened our national strategy for Stakeholder Engagement to include Teachers Mutual Bank, Firefighters Mutual Bank and UniBank as well as all areas of our business. A uniform approach resulted in a 32% increase in stakeholders focused on increasing advocacy, supported by the ACT data framework more commonly used throughout the Bank.
Mandate and embed sustainability in our supply chain Vendor Management Framework (VFM)	All material, strategic and major suppliers are required to complete a comprehensive CSR Survey that is included as part of their contract. CSR is one of the six standard vendor governance health checks, which operates as a traffic light system. The vendor governance process focuses on the top 100 vendors that represent 90% of our total vendor spend.

The Bank's $2.7 million community investment is equal to 9.8% of profits after tax.



Increase the purchase of more sustainable products and services	17% of Winx office supplies is sourced from the Earth Saver range, down 1%. We source a range of napkins and other paper products from recycled material. All our tea is Rainforest Alliance certified.
Roll out mandatory sustainability training for all employees	A CSR training module is rolled out to all staff every 24 months.
All staff at Grade 6 and above have sustainability KPIs	These form part of all Manager and Grade 6 Performance review documents. Each person has four CSR KPIs to report on.
Promote a zero tolerance culture for corruption and fraud	Our Fraud Policy defines the Bank's fraud control principles, mandatory requirements and accountabilities. It clearly expresses that our Bank does not tolerate fraud and corruption and is committed to promoting and maintaining a sound ethical culture. No incidents of corruption or internal fraud were identified. All employees, temporary staff, contractors and service providers must ensure they are aware of their responsibilities and obligations with respect to the prevention, detection and reporting of fraud. The Bank continues to educate its staff and members in fraud prevention, partnering with government departments in cyber security and privacy awareness campaigns, having dedicated Security pages on all our websites.

[1] The Ethisphere Institute is the global leader in defining and advancing the standards of ethical business practice. The World's Most Ethical Company assessment is based upon the Ethisphere Institute's Ethics Quotient (EQ) framework and honours superior achievements in transparency, integrity, ethics and compliance – more information at: http://ethisphere.com. [2] The LBG is the global standard for measuring and benchmarking corporate community investment. The LBG model provides a comprehensive and consistent set of measures to determine an organisation's contribution to the community, including cash, time, in kind donations, and management costs. www.lbg-australia.com. Data is FY2017 as LBG is measured after a full FY dataset is completed. [3] TMBL's $500m Debt Issuance Programme has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestment.org for details. [4] Issued on July 2.

Results on our targets

Members

Achieve member satisfaction ratings at or above 90%[1]	Member satisfaction rates are 93% for Teachers Mutual Bank, 92% for Unibank and 93% for Firefighters Mutual Bank.
Member retention rates are at 95% or higher	The member retention rate is at 97.95% across the bank.
Adverse findings by external parties not to exceed 20% of disputes	This relates to the number of disputes with the Financial Ombudsman Service (FOS) There were no adverse findings.
Reduce the number of disputes lodged with external bodies each year	The number of disputes lodged with the Financial Ombudsman Service (FOS) went up from 10 to 22.
All complaints responded to within one business day	We responded to 99.9% (6,775) of complaints (6,777) within one business day.
Achieve best practice for all complaints resolved within 14 days	We resolved 96.5% (6,538) of complaints within 14 days or less, with 97.8% (6,628) of complaints completed within 21 days or less.
No external loss of data that results in a major breach of policy	There was no external loss of data that resulted in a major breach of policy.
Host member engagement events	We hosted 246 events for members, including university seminars, lunch box presentations, mobile offices, and dinners.
Visit members' workplaces	We visited 1,223 schools over the year.
More than 90% of members to feel that they have adequate access to banking services	The figure is 96% for Teachers Mutual Bank, 95% for Unibank and 93% for Firefighters Mutual Bank.
More than 90% of members felt that they have adequate access to information and assistance	The figure is 92% for Teachers Mutual Bank, 88% for Unibank and 90% for Firefighters Mutual Bank.
100% of marketing campaigns complying with responsible marketing guidelines	100% of marketing campaigns complied with responsible marketing guidelines.
No breaches of responsible marketing guidelines that adversely affect members and customers resulted in adverse media or sanctions	There were no breaches of responsible marketing guidelines that adversely affected members and customers and resulted in adverse media or sanctions.
Assist members in financial difficulty through the Credit Assistance Programme	115 members were assisted through the Credit Assistance Programme.

[1]*As measured by the 2017 Member Satisfaction Survey conducted by GALKAL.*

Community

Invest a minimum of 3% of net profits after tax (NPAT) in the community[1]	The LBG's measurement framework is the global standard for measuring and benchmarking corporate community investment. The LBG model provides a comprehensive and consistent set of measures to determine an organisation's contribution to the community, including cash, time and in kind donations, as well as management costs. In FY2017, the Bank's $2.7 million community investment is 6.86% of pre-tax profits (NPBT), equal to 9.8% of profits after tax (NPAT). This is 11 times the LBG Au & NZ average of 0.61%; 23 times the LBG Au & NZ Financial Services sector average of 0.3%; and five times the LBG Global average of 1.35%.
Provide financial support across the education sector via scholarships, sponsorships, grants, event support and professional development	The Bank's financial support for the education sector has grown in the last 12 months with investment into key sponsorships and conferences in the university sector, as well as, the schools system. In addition to Bell Shakespeare's Regionals Teacher Mentorship, the Future Teachers Scholarships and Executive Scholarships we have also invested in UQ 3MT, Unigames, Tertiary Education Management Conference and the Universities Australia Conference.
Manage partnerships with State Education Departments	As part of our commitment to education we expanded our support to be more nationally focused through our sponsorship and partnership programs in states and territories across Australia aimed at delivering increased financial assistance to both student and teacher learning and development programs including a number of teacher excellence awards programs, higher learning programs as well as sport and arts programs aimed at developing students. The Bank works closely with the Departments of Education in the states in which we have a presence to sponsor key initiatives including: Schools Spectacular, the Premier's Teacher Scholarships, Festival of Instrumental Music and School Sport; Australian Capital Territory Education Awards; Secondary School Leader, Primary Principal of the Year and the Excellence Awards; School of the Year Award and Principals Conference in Queensland.
Broaden collaboration and develop new partnerships in the Non-Government education sector	This year we deepened our relationships with Catholic Education through new and existing partnerships as well as our partnership with the Independent Education Union in NSW and ACT through our support for Ann D Clarke Lecture, Executive Reading Challenge, Environment Grant Program and the Annual Diocesan Teacher Accreditation Recognition Program, all aimed at delivering much needed support in key areas in Catholic and Independent Education systems.
Support the professional development of teachers, office and support staff at conferences, events and leadership development courses	We sponsored 209 conferences and events across Australia.
Develop and implement a national sponsorship strategy and review current sponsorship guidelines	The national sponsorship strategy continues to align the Bank's business objectives with community support to the education and emergency services sector. The national approach means that the Bank continues to increase our impact and value to our members and provide greater community impact into the sectors where they are employed.
Support NSW school children in need through Platinum Sponsorship of Stewart House	Stewart House remains a key investment in the NSW education community as they assist over 1,800 children per year for a 12 day respite. The Bank's staff fundraise and conduct volunteer days at Stewart House.
Assist poverty alleviation in Asia Pacific through Platinum Sponsorship of CUFA	For three years we have supported the Cufa Children's Financial Literacy (CFL) program, which provides the opportunity for children living in poverty to create a brighter future for themselves and their families. Impacts of our three-year partnership with international aid agency Cufa were published in June 2018. This includes; 26,454 children educated; 17,410 children actively saving; 220 teachers trained; 1,029 financial literacy lessons held. Each dollar invested generates $2.60 of social value. Over the course of the Bank's three-year investment, children reached by the project have managed to save over $430,000, which is an incredible achievement for some of the most economically disadvantaged areas in Cambodia.
Support Queensland teachers and students through the sponsorship of the Queensland Life Education programme for drug and health education	The Bank continued its support to assist in the delivery of school-based health and drug education programs throughout Queensland schools.
Introduce an Indigenous scholarship	The Premier's Teachers Mutual Bank Indigenous Education Scholarship, worth $15,000 aims to embed Indigenous education into the NSW curriculum and develop the skills of educators teaching in Indigenous education.

[1] The LBG is the global standard for measuring and benchmarking corporate community investment. The LBG model provides a comprehensive and consistent set of measures to determine an organisation's contribution to the community, including cash, time, in kind donations, and management costs. www.lbg-australia.com. Data is FY2017 as LBG is measured after a full FY dataset is completed.

Results on our targets

Environment

Measure and report energy emissions and solar panel performance annually	Solar PV on our roofs generated 18% of total electricity consumption and saved 208 tonnes of CO2. Solar PV as a % of total power consumption per site is Homebush (10%), Parramatta (17%), UniBank WA (110%), and Rooty Hill (19%) and Queensland (91%). We generated 254,119 Kwh of solar power, an increase of 15% over 2017.
Achieve net zero emissions for all owned buildings	All of our five owned buildings are net zero, based on solar PV generated, LED lights, energy savings, and carbon offsets.
Mandatory installation of solar PV and LEDs for all new owned buildings	We bought one new building in Perth in January 2018, and we plan to install LED lighting in 2019-20. We are unable to install PV because we own only one level out of eight, and the strata management rules are not supportive.
All new building leases to have minimum 3.5 star on the National Australian Built Environment Rating System (NABERS)	We have not leased any new buildings in 2018.
Review our Green Vehicle Policy	We reduced the car fleet to 57 from 100, and we reduced support for staff to own cars. The fleet is to be reviewed at the end of 2019, for a new five-year commitment. We plan to replace the current Hybrid vehicle with a fully electric car.
Engage and train employees on recycling	Staff at the three new offices in Perth, Sydney and Brisbane have been trained and brought into the single recycling system, and we continue to reduce the number of bins on site.
Reduce paper use per member	116,000 (59%) people had opted out of paper statements and registered to receive online statement notifications, an increase of 15%. Paper use per member increased to 118kg/FTE from 102kg.
100% of paper purchased to be from a certified sustainable source	100% of the paper we purchased is certified; 49% is FSC certified and 51% is PEFC certified, and 79% of paper purchased is carbon neutral.
Implement new water-saving initiatives	We continued to install water-saving taps across the portfolio, and lifted the level of inspections and maintenance. We identified and fixed a number of leaks through the year, reducing our total consumption by 22%, with a 30% reduction at the Homebush HQ. Water use per FTE dropped to 7,938 litres/FTE from 10,497.
Maintain carbon neutral status so that all member accounts are with a carbon neutral bank	This is the sixth year we have been a carbon neutral bank, and so all members' accounts are with a carbon neutral bank. Our emissions from electricity and fuel use (Scope 1 and 2), are offset to zero.

Employees

100% of frontline employees enrolled in/ completed online complaints handling	100% of frontline employees (336) enrolled in and completed online complaints handling.
Maintain employee satisfaction rating at or above 85%	No data available due to Annual Staff survey being undertaken after FY2018.
Maintain employee engagement at or above 80%	No data available due to Annual Staff survey being undertaken after FY2018.
Achieve employee engagement rating above the national Finance Sector industry standard[1]	No data available due to Annual Staff survey being undertaken after FY2018.
Minimum 85% of employees recommending TMB as a good place to work	No data available due to Annual Staff survey being undertaken after FY2018.
Minimum 15% of staff engaged in studying	15.5% of staff are engaged in studying.
All employees to complete annual performance reviews	All employees completed annual performance reviews.
All employees to complete annual development plans	All employees completed annual development plans.
Continue to develop and implement policies and procedures that reflect best practice in employee relations	We continue to build on existing policies as part of our commitment to best practice in employee relations. Policies include workplace health and safety, volunteering, domestic violence, parental leave and pay equity.
Zero tolerance to discrimination, harassment and bullying	We continue to maintain a culture that is free from harassment and workplace bullying through a comprehensive education program and zero tolerance policy.
Exceed the ASX average of the percentage of females in Board, executive and management positions	We exceed the ASX average of the % of females in Board (44% vs. 26% ASX), Executive (14 vs. 10% ASX), and Management positions (41% vs. 38% ASX).
Be recognised as an Employer of Choice under the Workplace Gender Equality Agency (WGEA)[2]	The Bank was awarded the Employer of Choice for Gender Equality (EOCGE) citation for 2018 by the Workplace Gender Equality Agency (WGEA). The bank is one of 120 organisations named as a leader in workplace gender equality, and has achieved the citation for the third year in a row. The citation recognises employer commitment and best practice in promoting gender equality in Australian workplaces.
Continue to support employee volunteer days, sponsorship and donation requests associated with charitable initiatives	54 staff volunteered 354 hours for the community this year, and staff donations totalled $23, 564. This include $14,995 raised over three charity days in support of Cufa, the Starlight Children's Foundation, The Children's Burns Unit at Westmead Hospital, and the Perth Children's Hospital Foundation Fundraising by staff in support of Craig McMahon's CEO Sleepout for Vinnie's, totalled $3,350. Firefighters Mutual Bank staff volunteered their time to assist FRNSW firefighters in fundraising for motor neurone disease research at Macquarie University. The bank provides $3,992 to charities nominated by staff. On average each FTE employee donated $46 to charity.
Continue to develop and implement diversity, discrimination and flexible working guidelines for recruitment, training and promotion	We continued to work towards the recommendations and targets set out in our Gender Diversity Strategy. KPIs relating to flexible working practices are included in each Manager's performance assessment.
Reduce the lost time incident rate (LTIR) (in days)	Our LTIR reduced from 29 days in FY2017 to 16 days in FY2018
Maintain staff satisfaction with WH&S at or above 85%	No data available due to Annual Staff survey being undertaken after FY2018
Make health, safety and wellbeing an integral part of each employee's role	WHS responsibilities are contained within each individual's job description.

[1] Small to medium sized companies. [2] The WGEA Employer of Choice for Gender Equality (EOCGE) citation is designed to encourage, recognise and promote active commitment to achieving gender equality in Australian workplaces – www.wgea.gov.au.

Directors' Report

The Board of Directors has responsibility for the overall management and strategic direction of Teachers Mutual Bank Limited. All Board members are independent, non-executive directors and the majority are elected by members (our shareholders) on rotation every three years.

John Kouimanos (Chairperson)
BA, Dip Ed

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

Linda Green (Deputy Chairperson)
Dip Teach, B Ed (Primary Education), GAICD

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

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

Tyrone Carlin is Professor of Financial Regulation and Reporting at the University of Sydney. He has held a variety of prior senior academic appointments including Deputy Vice-Chancellor (Registrar) at the University of Sydney, Co-Dean of the University of Sydney Business School, Dean of Law at Macquarie University and Director of Academic Programs at Macquarie Graduate School of Management. Professor Carlin teaches in the areas of financial reporting and management, corporate acquisitions and reconstructions and corporate and commercial law, and has published more than 100 scholarly articles in his areas of expertise. He has been engaged as a consultant by a substantial number of leading corporations, professional services and Government organisations. He is a director of University Admissions Centre NSW & ACT, and the Urological Society of Australia and New Zealand. Professor Carlin is a member of the Audit Committee and Risk and Compliance Committee, Marketing and Member Relations Strategy, and Large Exposures Committees.

The Directors are committed to ongoing training to maintain knowledge of emerging issues and to satisfy all governance requirements.

Michelene Collopy (Director)
B Ec, CA (FPS), FAICD

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

Emeritus Professor William Ford (Director)
BA LLB (Hons), DipEd W Aust, DipLib (NSW)

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

Michael O'Neill (Director)
B Ec, BEd, Grad Dip Acct, FFTA, GAICD

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

Maree O'Halloran AM (Director)
AM, Ba/Dip Ed, BLegS, GDLP, LLM, GAICD

Maree O'Halloran is currently a Senior Associate at NEW Law Pty Ltd where her clients include teachers and nurses. Prior to her appointment with NEW Law in April 2015, Ms O'Halloran was the Director (ie, CEO) of the Welfare Rights Centre for seven years where she also practised as a solicitor. The Welfare Rights Centre provides free legal services to some of the most disadvantaged people in the community. Ms O'Halloran has also worked as a teacher in public schools and TAFE. She has served as President of the NSW Teachers Federation, a Director of Teachers Federation Health and SAS Trustee Corporation, and as a member of the NSW Public Service Commission. She is currently a member of the NSW Rhodes Scholarship Selection Committee. Ms O'Halloran is a member of the Audit Committee, the Marketing and Member Relations Strategy Committee and the Risk & Compliance Committee. Ms O'Halloran was awarded the Member of the Order of Australia (AM) in the 2011 Australia Day Honours List, in recognition of her service to industrial relations and education sector.

Jennifer Leete (Director)
BA, Dip Ed, GAICD

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

Graeme Lockwood (Director)
Dip Teach, Grad Dip C.Ed, GAICD

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

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

Management

Company secretaries

Company Secretaries

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

Steve James (Chief Executive Officer)

MBA, Dip AICD, Adv Acc Cert, GAICD

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

Brad Hedgman (Deputy Chief Executive)

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

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

Committees of Directors' meetings

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

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

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

Directors' board meetings

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

Attended by:	A	B
John Kouimanos	14	14
Linda Green	12	14
Tyrone Carlin	14	14
Michelene Collopy	13	14
William Ford	14	14
Jennifer Leete	11	14
Graeme Lockwood	14	14
Maree O'Halloran	14	14
Michael O'Neill	12	14
Total meetings		**14**

[A] Number of meetings attended. [B] Number of meetings entitled to attend.
Note: A leave of absence was granted where Directors were unable to attend a Board of Directors meeting.

Directors' benefits

No Director received, or became entitled to receive, during or since the financial year, a benefit because of a contract made by the Parent, controlled entity, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

Indemnifying officers or auditors

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

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

Financial performance disclosures

Principal activities

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

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

Operating results

The net profit of the consolidated Group for the year after providing for income tax was $31.7 million (2017: $27.6 million).

Dividends

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

Review of operations

The results provided include the results of the Parent's operations from its activities of providing financial services, which did not change significantly from those of the previous year and the results of the subsidiary's operations from its activities of providing travel services.

Significant changes in state of affairs

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

Events occurring after balance date

On 2 July 2018, the Bank issued $200 million of senior unsecured notes to 42 investors as part of the Bank's funding strategy. As the note issuance occurred on 2 July 2018, the financial effect of this has not been recognised in the financial statements for 30 June 2018. No other matters or circumstances have arisen since the end of the financial year, which significantly affected or may significantly affect the operations, or state of affairs of the Group in subsequent financial years.

Likely developments and results

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

i. the operations of the Group;
ii. the results of those operations; or
iii. the state of affairs of the Group

in the financial years subsequent to this financial year.

Auditors' independence

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

Rounding

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos
Chairperson

Michelene Collopy
Chairperson of the Audit Committee

Signed and dated this 27 August 2018

Auditor's Declaration of Independence

GrantThornton

Declaration of independence

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In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Mutual Bank Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton
GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Madeleine Mattera
M. Mattera
Partner – Audit & Assurance

Dated 24 August 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Financial Statements

Notes to the Financial Statements

Statement of comprehensive income

For the year ended 30 June 2018

	Note(s)	2018 $'000		2017 $'000	
		Consolidated	Parent	Consolidated	Parent
Interest revenue	2a	272,567	272,568	247,841	247,841
Interest expense	2c	(126,177)	(126,182)	(115,243)	(115,270)
Net interest income		**146,390**	**146,386**	**132,598**	**132,571**
Fee, commission and other income	2b	34,497	22,677	35,411	22,762
Total revenue		**180,887**	**169,063**	**168,009**	**155,333**
Less: Non-interest expenses					
- Impairment losses on loans and advances	2d	(2,697)	(2,697)	(2,498)	(2,498)
General administration	2e				
- Employees compensation and benefits		(65,684)	(64,625)	(62,168)	(60,960)
- Depreciation and amortisation		(7,286)	(7,284)	(6,321)	(6,318)
- Auditors Remuneration		(190)	(177)	(197)	(182)
- Transaction expenses		(13,056)	(13,056)	(12,643)	(12,643)
- Information technology		(12,486)	(12,454)	(11,795)	(11,763)
- Office occupancy		(3,914)	(3,914)	(3,375)	(3,375)
- Research, marketing, sponsorship and events		(6,593)	(6,595)	(5,977)	(5,982)
- Professional fees		(1,537)	(1,537)	(1,701)	(1,701)
- Travel cost of sales		(10,770)	-	(11,619)	-
- Other administration		(11,544)	(11,513)	(10,138)	(9,968)
Total general administration		**(133,060)**	**(121,155)**	**(125,934)**	**(112,892)**
Total non-interest expenses		**(135,757)**	**(123,852)**	**(128,432)**	**(115,390)**
Profit before income tax		**45,130**	**45,211**	**39,577**	**39,943**
Income tax expense	3	(13,388)	(13,412)	(11,955)	(12,065)
Profit after income tax		**31,742**	**31,799**	**27,622**	**27,878**
Other comprehensive income					
Net movement on cash flow hedge *(will be reclassified subsequently to profit or loss if specific conditions are met)*	22	1,360	1,360	8,543	8,543
Non-operating income received on transfer of engagement (2017: FBECU)		-	-	18,706	18,706
Total comprehensive income		**33,102**	**33,159**	**54,871**	**55,127**

Statement of changes in member equity

For the year ended 30 June 2018

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
CONSOLIDATED					
Balance as at 1 July 2016	626	9,894	(9,605)	437,176	438,091
Total comprehensive income for the year – as reported	-	-	8,543	27,622	36,165
Subtotal	626	9,894	(1,062)	464,798	474,256
Receipts from transfer of business	35	441	-	18,230	18,706
Transfers to (from) reserves	37	2,672	-	(2,709)	-
Total at 30 June 2017	**698**	**13,007**	**(1,062)**	**480,319**	**492,962**
CONSOLIDATED					
Balance as at 1 July 2017	698	13,007	(1,062)	480,319	492,962
Total comprehensive income for the year – as reported	-	-	1,360	31,742	33,102
Subtotal	698	13,007	298	512,061	526,064
Transfers to (from) reserves	48	761	-	(809)	-
Total at 30 June 2018	**746**	**13,768**	**298**	**511,252**	**526,064**

	Capital reserve $'000	General reserve for credit losses $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total $'000
PARENT					
Balance as at 1 July 2016	626	9,894	(9,605)	436,184	437,099
Total comprehensive income for the year – as reported	-	-	8,543	27,878	36,421
Subtotal	626	9,894	(1,062)	464,062	473,520
Receipts from transfer of business	35	441	-	18,230	18,706
Transfers to (from) reserves	37	2,672	-	(2,709)	-
Total at 30 June 2017	**698**	**13,007**	**(1,062)**	**479,583**	**492,226**
PARENT					
Balance as at 1 July 2017	698	13,007	(1,062)	479,583	492,226
Total comprehensive income for the year – as reported	-	-	1,360	31,799	33,159
Subtotal	698	13,007	298	511,382	525,385
Transfers to (from) reserves	48	761	-	(809)	-
Total at 30 June 2018	**746**	**13,768**	**298**	**510,573**	**525,358**

Statement of financial position

For the year ended 30 June 2018

	Note(s)	2018 $'000		2017 $'000	
		Consolidated	Parent	Consolidated	Parent
ASSETS					
Cash on hand and deposits at call		70,884	70,884	146,758	146,758
Receivables from financial institutions	4	933,510	933,510	984,279	984,279
Derivative assets held for hedging purposes	5	818	818	1,338	1,338
Receivables	6	5,450	5,080	12,085	11,579
Prepayments		4,018	4,018	4,317	4,315
Loans and advances to members	7 & 8	5,997,831	5,997,831	5,480,497	5,480,497
Available for sale investments	9	5,145	5,145	5,145	5,145
Investments in controlled entities	10	-	147	-	147
Property, plant and equipment	11	36,869	36,868	34,157	34,154
Taxation assets	12	9,140	9,013	8,723	8,557
Intangible assets	13	5,451	5,451	5,244	5,244
Total assets		**7,069,116**	**7,068,765**	**6,682,543**	**6,682,013**
LIABILITIES					
Borrowings		-	-	-	-
Wholesale sector funding	14	670,879	670,879	680,261	680,261
Retail deposits	15	5,812,848	5,813,647	5,479,060	5,479,874
Derivative liabilities	5	519	519	2,645	2,645
Creditors accruals and settlement accounts	16	19,839	19,480	9,794	9,349
Taxation liabilities	17	1,434	1,434	996	996
Provisions	18	17,469	17,357	16,825	16,662
Subordinated debt	19	20,064	20,064	-	-
Total liabilities		**6,543,052**	**6,543,380**	**6,189,581**	**6,189,787**
Net assets		**526,064**	**525,385**	**492,962**	**492,226**
MEMBERS' EQUITY					
Capital reserve account	20	746	746	698	698
General reserve for credit losses	21	13,768	13,768	13,007	13,007
Cash flow hedge reserve	22	298	298	(1,062)	(1,062)
Retained earnings		511,252	510,573	480,319	479,583
Total members' equity		**526,064**	**525,385**	**492,962**	**492,226**

Statement of cash flows

For the year ended 30 June 2018

	Note(s)	2018 $'000		2017 $'000	
		Consolidated	Parent	Consolidated	Parent
CASH FLOWS FROM OPERATING ACTIVITIES					
Interest received		273,080	273,047	248,173	248,173
Fees and commissions		18,923	18,923	32,672	18,834
Dividends received		429	429	695	695
Other non-interest income received		13,484	1,629	248	1,437
Interest paid on deposits		(124,030)	(124,035)	(111,438)	(111,465)
Borrowing costs		(51)	(15)	(31)	(31)
Capital Raising – subordinated Debt		(622)	(622)	-	-
Expenses paid to suppliers and staff		(124,904)	(112,920)	(119,475)	(106,434)
Income tax paid		(13,310)	(13,372)	(12,965)	(12,996)
Net increase in loans and advances to members		(518,955)	(518,955)	(772,056)	(772,056)
Net increase in retail deposits		349,206	349,142	633,176	632,842
Net cash flows from operating activities	**36b**	**(126,750)**	**(126,749)**	**(101,001)**	**(101,001)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment		(7,682)	(7,682)	(7,044)	(7,044)
Acquisition of intangible assets		(2,357)	(2,357)	(1,691)	(1,691)
Sale of property, plant and equipment		714	714	159	159
Sale of other investments		-	-	92	92
Increase (decrease) in deposits with other financial institutions		50,770	50,769	(206,639)	(206,639)
Net cash received on transfer of engagement		-	-	30,615	30,615
Net cash flows used in investing activities		**41,445**	**41,444**	**(184,508)**	**(184,508)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase (decrease) in wholesale sector funding		(10,505)	(10,505)	258,830	258,830
Proceeds of issue of subordinated debt		19,936	19,936	-	-
Net cash flows from (used in) financing activities		**9,431**	**9,431**	**258,830**	**258,830**
CASH HELD					
Net increase (decrease) in cash held		(75,874)	(75,874)	(26,679)	(26,679)
Add opening cash brought forward		146,758	146,758	173,437	173,437
Closing cash carried forward	**36a**	**70,884**	**70,884**	**146,758**	**146,758**

Notes to the financial statements

1. Statement of accounting policies

This financial report is prepared for Teachers Mutual Bank Limited (the Parent) and its controlled entities Q.T. Travel Pty. Ltd, Tertiary Travel Service Pty Ltd and Edsec Funding Trust No. 1 for the year ended the 30 June 2018. The report was authorised for issue on the 27 August 2018, in accordance with a resolution of the Board of Directors.

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

a. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

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

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

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

b. Basis of measurement

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

c. Loans to members

Basis of recognition

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

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

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

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

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

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

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

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

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

Interest earned

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

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

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

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

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

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

Loan origination fees

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

Transaction costs

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

Broker commissions

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

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

Fees on loans

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

The REPO securitisation trust consolidation

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

Accordingly:

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

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

The Group presents a set of financial statements representing:

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

d. Loan impairment

Specific provision

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

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

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

General reserve for credit losses

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

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

e. Bad debts written off

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

f. Property, plant and equipment

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

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

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

g. Intangible assets

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

h. Cash and cash equivalents

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

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

i. Receivables from financial institutions

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

j. Derivative financial instruments

Interest rate swaps

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

Hedge accounting

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

Fair values of derivative instruments used for hedging purposes are provided at Note 28. Movements in the hedging reserve are provided at Note 22.

Cash flow hedges

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

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

k. Equity investments and other securities

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

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

l. Investment in controlled entities

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

m. Retail deposits

Basis for determination

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

Interest payable

Savings

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

Fixed term deposits

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

n. Wholesale sector funding

Basis for determination

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

Interest payable

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

o. Borrowings

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

p. Subordinated debt

Subordinated debt is initially recognised at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

q. Provision for employee benefits

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

r. Leasehold on premises

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

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

s. Income tax

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

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

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

t. Goods and services tax (GST)

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

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

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

u. Business combinations

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

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

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

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

v. Impairment of assets

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

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

w. Accounting estimates and judgements

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

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

x. Assets measured at fair value

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

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2** – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- **Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

y. New or emerging standards not yet mandatory

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period ending 30th June 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

Emerging standards

AASB reference	Nature of change	Application date	Impact on initial application
AASB 9 Financial Instruments (December 2014)	The new standard replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2009 and December 2010. It amends the requirements for classification and measurement of financial assets. AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. Recognition of credit losses are to no longer be dependent on the Group first identifying a credit loss event. The Group will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.	Periods beginning on or after 1 January 2018.	The Group has carried out an assessment of the impact of the new standard. There will be no significant impact arising on changes to the classification and measurement of financial assets. There will be no significant impact in relation to hedging measurements as existing policies and methodologies will remain unchanged pending further consideration of the IASB. The Provision for doubtful debts is expected to increase by between $2m and $3m with a corresponding reduction in opening retained earnings.
AASB 15 Revenue from Contracts with Customers	Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard replaces AASB 118 Revenue, AASB 111 Construction Contracts and related revenue interpretations.	Periods beginning on or after 1 January 2018.	Based upon a preliminary assessment, the Standard is not expected to have a material impact upon the transactions and balances recognised when it is first adopted, as most of the Group's revenue arises from the provision of financial services which are governed by AASB 9 Financial Instruments. Few revenue transactions of the Group are impacted by the new standard.
AASB 16 Leases Replaces AASB 117	Replaces AASB 117 Leases and some lease-related Interpretations. Requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. Provides new guidance on the application of the definition of lease and on sale and lease back accounting. Requires new and different disclosures about leases.	Periods beginning on or after 1 January 2019	The Group is yet to undertake a detailed assessment of the impact of AASB 16. The Group's preliminary assessment is that the Standard will not have a material impact on transactions and balances recognised when first adopted for the year ending 30 June 2020.

2. Income statement

a. Analysis of interest revenue

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
INTEREST REVENUE				
Cash – deposits at call	2,590	2,591	2,703	2,703
Receivables from financial institution deposits	25,114	25,114	20,516	20,516
Loans and advances to members	244,686	244,686	224,456	224,456
Derivatives interest income	142	142	114	114
Other	35	35	52	52
Total interest revenue	**272,567**	**272,568**	**247,841**	**247,841**

b. Non-interest revenue

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
FEE AND COMMISSION REVENUE				
Loan fee income – other than loan origination fees	2,888	2,888	3,278	3,278
Other fee income	4,366	4,366	4,440	4,440
Insurance commissions	4,857	4,857	4,841	4,841
Other commissions	6,683	6,683	6,682	6,682
Total fee and commission revenue	**18,794**	**18,794**	**19,241**	**19,241**

OTHER INCOME	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Dividends received on available for sale assets	429	429	695	695
Bad debts recovered	1,076	1,076	1,153	1,153
Gain on disposal of assets:				
- Property, plant and equipment	714	714	159	159
- Investments	3	3	77	77
Transfers from provisions:				
- Impairment losses on loans and advances	-	-	23	23
- Sick Leave	22	22	5	5
- Director development	12	12	20	20
- Land tax	-	-	200	200
Travel income from sales	11,829	-	12,781	-
Miscellaneous revenue	1,618	1,627	1,057	1,189
Total non-interest revenue	**34,497**	**22,677**	**35,411**	**22,762**

c. Interest expenses

INTEREST EXPENSES	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Overdraft	16	16	11	11
Short-term borrowing	-	-	20	20
Wholesale sector funding	13,103	13,103	11,921	11,921
Wholesale deposits	2,142	2,142	1,593	1,593
Retail deposits	108,073	108,078	95,732	95,759
Derivatives interest expense	2,093	2,093	5,966	5,966
Subordinated debt interest expense	750	750	-	-
Total interest expenses	**126,177**	**126,182**	**115,243**	**115,270**

d. Impairment losses

LOANS AND ADVANCES CARRIED AT AMORTISED COST	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Increase in provision for impairment	592	592	-	-
Bad debts written off directly against profit	2,105	2,105	2,498	2,498
Total impairment losses	**2,697**	**2,697**	**2,498**	**2,498**

e. Prescribed expenses

EMPLOYEE COSTS	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Personnel costs	59,743	58,765	55,488	54,371
Superannuation contributions	5,207	5,126	4,639	4,548
Net movement in provisions for employee annual leave	380	380	714	714
Net movement in provisions for employee long service leave	354	354	1,327	1,327
Total employee costs	**65,684**	**64,625**	**62,168**	**60,960**

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
DEPRECIATION AND AMORTISATION EXPENSE				
Buildings	742	742	673	673
Plant and equipment	3,464	3,462	3,107	3,104
Leasehold improvements (including lease make good provisions)	246	246	136	136
Written down value of assets disposed	695	695	218	218
Intangible assets – computer software	2,139	2,139	2,187	2,187
Total depreciation and amortisation expenses	**7,286**	**7,284**	**6,321**	**6,318**
AUDITOR'S REMUNERATION (EXCLUDING GST)				
Audit and review of financial statements:				
- Audit services: Grant Thornton	183	170	186	171
Other services:				
- Compliance	2	2	6	6
- Other	5	5	5	5
Total auditor's remuneration	**190**	**177**	**197**	**182**
OTHER OPERATING EXPENSES				
Transaction expenses	13,056	13,056	12,643	12,643
Information technology	12,486	12,454	11,795	11,763
Office occupancy	3,914	3,914	3,375	3,375
Research, marketing, sponsorships and events	6,593	6,595	5,977	5,982
Professional fees	1,537	1,537	1,701	1,701
Other administration	22,314	11,513	21,757	9,968
Total other operating expenses	**59,900**	**49,069**	**57,248**	**45,432**
Total general administration	**133,060**	**121,155**	**125,934**	**112,892**

3. Income tax expense

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

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Provision for income tax – current year	13,851	13,851	12,468	12,468
Under (over) provision in prior years	(50)	(50)	203	203
Decrease (increase) in the deferred tax asset	(413)	(389)	(716)	(606)
Income tax expense attributable to profit	**13,388**	**13,412**	**11,955**	**12,065**

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

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Profit	**45,128**	**45,210**	**39,577**	**39,943**
Prima facie tax payable on profit before income tax at 30%	13,539	13,563	11,873	11,983
Add: Tax effect of expenses not deductible	94	94	91	91
Less: Tax effect of income not assessable	(2)	(2)	(3)	(3)
Subtotal	**13,631**	**13,655**	**11,961**	**12,071**
Add: Adjustments to recognise deferred tax assets	349	325	715	605
Less: Franking rebate	(129)	(129)	(208)	(208)
Current income tax provision attributable to profit	**13,851**	**13,851**	**12,468**	**12,468**

c. Franking credits

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Franking credits held after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year	194,400	194,024	181,028	180,652

4. Receivables from financial institutions

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit	310,323	310,323	489,621	489,621
Term deposits	-	-	1,000	1,000
Floating rate notes	584,620	584,620	441,839	441,839
Other	38,567	38,567	51,819	51,819
Total receivables from financial institutions	**933,510**	**933,510**	**984,279**	**984,279**

5. Derivative financial instruments

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

Derivatives designated as cash flow hedges

	2018 $'000		2017 $'000	
	Parent & Consolidated		Parent & Consolidated	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	818	519	1,338	2,645

Net movement on derivatives during the year

	2018 $'000	2017 $'000
	Parent & Consolidated	Parent & Consolidated
Recognised in interest income	246	232
Recognised to other comprehensive income	1,360	8,543
Total	**1,606**	**8,775**

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

	2018 $'000			2017 $'000		
	Parent & Consolidated			Parent & Consolidated		
	Pay Fixed	Receive Fixed	Notional Amount	Pay Fixed	Receive Fixed	Notional Amount
Within 1 year	261,200	-	261,200	262,000	-	262,000
> 1 to 2 years	210,600	-	210,600	261,200	-	261,200
> 2 to 3 years	50,400	-	50,400	210,600	-	210,600
> 3 to 4 years	16,000	-	16,000	50,400	-	50,400
> 4 to 5 years	-	-	-	16,000	-	16,000
> 5 years	-	-	-	-	-	-
Total	**538,200**	**-**	**538,200**	**800,200**	**-**	**800,200**

6. Receivables

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Interest receivable on deposits with other financial institutions	3,751	3,751	4,165	4,165
Sundry debtors and settlement accounts	1,699	1,329	7,920	7,414
Total receivables	**5,450**	**5,080**	**12,085**	**11,579**

7. Loans and advances

a. Amount due

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Overdrafts and credit cards	96,764	96,764	100,284	100,284
Term loans	5,895,813	5,895,813	5,376,365	5,376,365
Overdrawn savings	114	114	122	122
Subtotal	**5,992,691**	**5,992,691**	**5,476,771**	**5,476,771**
Add: Amortised loan origination transaction costs and broker commission, net of fees	7,748	7,748	5,742	5,742
Subtotal	**6,000,439**	**6,000,439**	**5,482,513**	**5,482,513**
Less: Provision for impaired loans as detailed in Note 8	(2,608)	(2,608)	(2,016)	(2,016)
Total loans and advances to members	**5,997,831**	**5,997,831**	**5,480,497**	**5,480,497**

b. Credit quality – security held against loans

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Secured by mortgage over real estate	5,779,100	5,779,100	5,243,615	5,243,615
Partly secured by goods mortgage	10,903	10,903	13,545	13,545
Wholly unsecured	202,688	202,688	219,611	219,611
Total	**5,992,691**	**5,992,691**	**5,476,771**	**5,476,771**

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

SECURITY HELD AS MORTGAGE AGAINST REAL ESTATE IS ON THE BASIS OF:				
– Loan to valuation ratio of less than 80%	4,474,829	4,474,829	4,104,464	4,104,464
– Loan to valuation ratio of more than 80% but mortgage insured	1,081,892	1,081,892	873,529	873,529
– Loan to valuation ratio of more than 80% and not mortgage insured	222,379	222,379	265,622	265,622
Total	**5,779,100**	**5,779,100**	**5,243,615**	**5,243,615**

c. Concentration of loans

The values discussed below include on-statement of financial position values and off-statement of financial position undrawn facilities as described in Note 29.

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

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

BALANCE OF LOANS HELD BY MEMBERS WHO ARE RECEIVING PAYMENTS FROM:	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
NSW Department of Education	1,569,158	1,569,158	1,654,261	1,654,261
State Super Financial Services	180,654	180,654	159,077	159,077
WA Department of Education	114,918	114,918	116,505	116,505
ACT Department of Treasury	110,761	110,761	104,488	104,488
Catholic Education Office	82,102	82,102	78,784	78,784
Teachers Mutual Bank Limited employees	61,935	61,935	60,427	60,427
NSW TAFE	54,596	54,596	57,817	57,817

NUMBER OF MEMBERSHIPS WITH LOANS WHO ARE RECEIVING PAYMENTS FROM:	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
NSW Department of Education	11,703	11,703	13,371	13,371
State Super Financial Services	4,533	4,533	4,050	4,050
WA Department of Education	580	580	564	564
ACT Department of Treasury	531	531	553	553
Catholic Education Office	512	512	580	580
Teachers Mutual Bank Limited employees	451	451	474	474
NSW TAFE	357	357	335	335

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

iii) Geographical concentrations including loan balances and loan financial commitments set out in Notes 29a, 29b and 29c.

	2018 $'000 Parent & Consolidated				2017 $'000 Parent & Consolidated			
	Housing	Personal	Business	Total	Housing	Personal	Business	Total
New South Wales	4,195,851	803,482	34	4,999,367	4,060,187	818,614	34	4,878,835
Victoria	330,724	20,996	-	351,721	235,337	17,365	-	252,702
Queensland	461,888	37,711	-	499,599	303,598	24,740	-	328,338
South Australia	48,154	4,091	-	52,246	39,955	3,211	-	43,166
Western Australia	564,080	63,250	699	628,028	457,549	65,714	729	523,992
Tasmania	37,390	2,339	-	39,729	21,462	2,220	-	23,682
Northern Territory	20,294	3,391	-	23,685	18,498	3,635	-	22,133
Australian Capital Territory	300,014	31,776	-	331,789	250,163	29,804	-	279,967
Other	-	5,332	-	5,332	-	5,454	-	5,454
Total	**5,958,395**	**972,368**	**733**	**6,931,496**	**5,386,749**	**970,757**	**763**	**6,358,269**

d. Loans by purpose

	2018 $'000 Parent & Consolidated	2017 $'000 Parent & Consolidated
Housing loans and facilities	5,958,395	5,386,749
Personal loans and facilities	972,368	970,757
Total – households	**6,930,763**	**6,357,506**
Business loans and facilities	733	763
Total	**6,931,496**	**6,358,269**

e. Securitised loans

Non-derecognised securitised loans.

	2018 $'000	2017 $'000
EdSec Funding Trust No.1	757,584	663,740

8. Provision on impaired loans

a. Total provision

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Collective provision	2,600	2,600	1,982	1,982
Individual specific provision	8	8	34	34
Total provision	**2,608**	**2,608**	**2,016**	**2,016**

b. Movement in provision for impairment

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Opening balance	2,016	2,016	2,039	2,039
Add (deduct) – Transfers from (to) statement of comprehensive income	592	592	(23)	(23)
Closing balance	**2,608**	**2,608**	**2,016**	**2,016**

c. Impaired loans written off

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Amounts written off directly to expense	2,105	2,105	2,498	2,498
Total bad debts	**2,105**	**2,105**	**2,498**	**2,498**
Bad debts recovered in the period	1,076	1,076	1,153	1,153

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

In the note below:

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

	2018 $'000			2017 $'000		
	Parent & Consolidated			Parent & Consolidated		
LOANS TO MEMBERS	Carrying value	Value of impaired loans	Provision for impairment	Carrying value	Value of impaired loans	Provision for impairment
Housing	5,380,013	16,287	936	4,869,274	14,880	68
Personal	519,065	1,782	711	512,559	3,166	909
Credit card	70,501	1,798	837	71,072	1,872	858
RediCredit	22,686	233	123	23,228	277	180
Total – households	**5,992,265**	**20,100**	**2,607**	**5,476,133**	**20,195**	**2,015**
Business	425	1	1	638	1	1
Total	**5,992,690**	**20,101**	**2,608**	**5,476,771**	**20,196**	**2,016**

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

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

	2018 $'000 Parent & Consolidated		2017 $'000 Parent & Consolidated	
	Carrying value	Provision	Carrying value	Provision
Less than 30 days	1,817	4	3,014	34
30 to less than 90 days in arrears	2,762	-	3,474	-
90 to less than 182 days in arrears	6,693	489	6,131	347
182 to less than 273 days in arrears	6,403	966	4,415	429
273 to less than 365 days in arrears	521	221	1,142	209
365 days and over in arrears	8	8	-	-
Overdrawn savings/overlimit facilities over 14 days	1,897	920	2,020	997
Total	**20,101**	**2,608**	**20,196**	**2,016**

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

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

Loans balances of $1,644 million are in arrears by at least 30 days and are not considered to be impaired as full recovery of both principal and interest is expected. It is not practicable to determine fair value of collateral at the balance date due to the variety and condition of assets.

Loans with repayments past due and not impaired are in arrears as follows:

	2018 $'000 Parent & Consolidated					2017 $'000 Parent & Consolidated				
	< 1 to 2 months	< 2 to 3 months	< 3 to 6 months	> 6 months	Total	< 1 to 2 months	< 2 to 3 months	< 3 to 6 months	> 6 months	Total
Housing	-	-	223	935	1,158	2,041	676	-	-	2,717
Personal	-	-	-	486	486	399	334	-	-	733
Credit card	-	-	-	-	-	179	43	-	-	222
RediCredit	-	-	-	-	-	48	3	-	-	51
Total	**-**	**-**	**223**	**1,421**	**1,644**	**2,667**	**1,056**	**-**	**-**	**3,723**

g. Key assumptions in determining the provision for impairment

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

9. Available for sale investments

SHARES IN UNLISTED COMPANIES, AT COST	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Cuscal Limited (Cuscal)	5,145	5,145	5,145	5,145
Total	**5,145**	**5,145**	**5,145**	**5,145**

Disclosures on shares valued with unobservable inputs

Cuscal Limited (Cuscal)

The shareholding in Cuscal is reported at cost. This company is an APRA Approved Deposit-taking Institution that supplies settlement, transaction processing, card, interchange and other services to organisations including Mutual Banks, Credit Unions and Building Societies. The volume of shares traded is low.

Management have used unobservable inputs to assess the fair value of these shares. Cuscal's financial reports disclose net tangible assets exceeding the value of shares on issue and the fair value of these shares is likely to exceed their cost. However a market value is not able to be readily determined. Dividend return in 2018 was 5 cents per share. Management has determined that the cost value of $0.60 per share is a reasonable approximation of fair value.

The Group does not intend to dispose of these shares.

10. Investment in controlled entities

SHARES IN SUBSIDIARY	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Q.T. Travel Pty Ltd trading as Diploma World Travel Service	-	47	-	47
Tertiary Travel Service Pty Ltd	-	100	-	100
Total investment in controlled entities	**-**	**147**	**-**	**147**

This note should be read in conjunction with Note 32(d) of the financial statements.

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

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

Tertiary Travel Service Pty Ltd

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

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

NAME OF ENTITY	Equity Interest 2018	Equity Interest 2017	Investment 2018 $'000	Investment 2017 $'000
Q.T. Travel Pty Ltd trading as Diploma World Travel Service	100%	100%	47	47
Tertiary Travel Service Pty Ltd	100%	100%	100	100

11. Property, plant and equipment

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
FIXED ASSETS				
Land, at cost	**11,616**	**11,616**	**11,617**	**11,617**
Buildings, at cost	31,805	31,805	27,543	27,543
Less: Provision for depreciation	(15,612)	(15,612)	(14,871)	(14,871)
Net building	**16,193**	**16,193**	**12,672**	**12,672**
Total land and buildings	**27,809**	**27,809**	**24,289**	**24,289**
Plant and equipment, at cost	33,814	33,617	32,890	32,693
Less: Provision for depreciation	(25,045)	(24,849)	(23,395)	(23,201)
Total plant and equipment	**8,769**	**8,768**	**9,495**	**9,492**
Capitalised leasehold improvements, at cost	870	870	1,356	1,356
Less: Provision for amortisation	(579)	(579)	(983)	(983)
Total capitalised leasehold improvements	**291**	**291**	**373**	**373**
Total property, plant and equipment	**36,869**	**36,868**	**34,157**	**34,154**

Movement in asset balance during the year

			2018 $'000		
CONSOLIDATED	Land	Building	Plant & equipment	Leasehold improvement	Total
Opening balance	10,209	12,672	9,495	373	32,749
Additions	1,407	4,270	3,411	165	9,253
Less: Assets disposed	-	(8)	(673)	(1)	(682)
Less: Depreciation charge	-	(741)	(3,464)	(246)	(4,451)
Closing balance	**11,616**	**16,193**	**8,769**	**291**	**36,869**
			2017 $'000		
Opening balance	10,209	11,594	8,951	102	30,856
Additions	1,408	1,792	3,520	407	7,127
Transfer of business from merger	-	-	307	-	307
Less: Assets disposed	-	(42)	(175)	-	(217)
Less: Depreciation charge	-	(672)	(3,108)	(136)	(3,916)
Closing balance	**11,617**	**12,672**	**9,495**	**373**	**34,157**

PARENT	Land	Building	Plant & equipment	Leasehold improvement	Total
			2018 $'000		
Opening balance	10,209	12,672	9,492	373	32,746
Additions	1,407	4,270	3,411	165	9,253
Less: Assets disposed	-	(8)	(673)	(1)	(682)
Less: Depreciation charge	-	(741)	(3,462)	(246)	(4,449)
Closing balance	**11,616**	**16,193**	**8,768**	**291**	**36,868**
			2017 $'000		
Opening balance	10,209	11,594	8,945	102	30,850
Additions	1,408	1,792	3,520	407	7,127
Transfer of business from merger	-	-	307	-	307
Less: Assets disposed	-	(42)	(175)	-	(217)
Less: Depreciation charge	-	(672)	(3,105)	(136)	(3,913)
Closing balance	**11,617**	**12,672**	**9,492**	**373**	**34,154**

12. Taxation assets

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
DEFERRED INCOME TAX ASSETS				
Accrued expenses not deductible until incurred	275	270	217	214
Provisions for impairment on loans	827	827	645	645
Provisions for employee benefits	5,232	5,222	5,008	4,960
Provisions for other liabilities	1,777	1,777	1,807	1,807
Depreciation on fixed assets	236	236	332	331
Tax losses	115	-	113	-
Amortisation of intangible assets	98	98	83	83
Deferred tax assets	8,560	8,430	8,205	8,040

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
OTHER TAX ASSETS				
GST	308	311	307	306
Land tax	272	272	211	211
Total taxation assets	**9,140**	**9,013**	**8,723**	**8,557**

13. Intangible assets

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Computer software, at cost	20,363	20,315	18,332	18,284
Less: Provision for amortisation	(14,912)	(14,864)	(13,088)	(13,040)
Total intangible assets	**5,451**	**5,451**	**5,244**	**5,244**

Movement in balances during the year

Opening balance	5,244	5,244	5,739	5,739
Additions	2,346	2,346	1,692	1,692
Less: Amortisation charge	(2,139)	(2,139)	(2,187)	(2,187)
Closing balance	**5,451**	**5,451**	**5,244**	**5,244**

14. Wholesale sector funding

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Negotiable certificates of deposit issued	355,947	355,947	328,739	328,739
Floating rate notes issued	200,603	200,603	270,707	270,707
Wholesale deposits	114,329	114,329	80,815	80,815
Total wholesale sector funding	**670,879**	**670,879**	**680,261**	**680,261**

15. Retail deposits

a. Retail deposits

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
At call	3,085,368	3,086,167	2,778,961	2,779,775
Term	2,725,496	2,725,496	2,698,185	2,698,185
Member withdrawable shares	1,984	1,984	1,914	1,914
Total retail deposits	**5,812,848**	**5,813,647**	**5,479,060**	**5,479,874**

b. Concentration of liabilities

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

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

BALANCE OF ACCOUNTS HELD BY DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM	2018 $'000	2017 $'000
State Super Financial Services	1,573,120	1,435,930
NSW Department of Education	582,744	635,516

NUMBER OF DEPOSITORS WHO ARE RECEIVING PAYMENTS FROM	2018 Number	2017 Number
State Super Financial Services	16,208	15,789
NSW Department of Education	25,404	28,771

iii) Geographical concentrations are as follows:

GEOGRAPHICAL CONCENTRATIONS	2018 $'000	2017 $'000
New South Wales	5,055,867	4,782,144
Western Australia	292,467	278,039
Queensland	126,572	112,549
Australian Capital Territory	125,107	112,174
Victoria	87,324	82,684
Other	77,621	70,723
South Australia	19,098	14,781
Tasmania	18,490	15,891
Northern Territory	9,117	8,975
Total	**5,811,663**	**5,477,960**

16. Creditors, accruals and settlement accounts

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Creditors and accruals	5,207	4,848	5,178	4,733
Unearned income	1,186	1,186	1,064	1,064
Settlement accounts	13,446	13,446	3,552	3,552
Total creditors, accruals and settlement accounts	**19,839**	**19,480**	**9,794**	**9,349**

17. Taxation liabilities

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Current income tax liability	834	834	404	404
Other tax liabilities	600	600	592	592
Total taxation liabilities	**1,434**	**1,434**	**996**	**996**

CURRENT INCOME TAX LIABILITY COMPRISES:				
Balance, previous year	404	404	734	740
Less: Paid	(354)	(354)	(937)	(943)
Over (under) statement in prior year	**50**	**50**	**(203)**	**(203)**

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Liability for income tax in current year	13,851	13,851	12,468	12,468
Less: Installments paid in current year	(13,017)	(13,017)	(12,081)	(12,064)
Payable (refund) for prior year	-	-	17	-
Current income tax liability	**834**	**834**	**404**	**404**

18. Provisions

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Employee entitlements	17,055	16,943	16,394	16,231
Lease make good of premises	229	229	235	235
Director development	185	185	196	196
Total provisions	**17,469**	**17,357**	**16,825**	**16,662**

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN EMPLOYEE ENTITLEMENTS PROVISION				
Opening balance	16,394	16,231	14,367	14,196
Less: Paid	(5,686)	(5,624)	(5,153)	(5,057)
Liability increase (decrease)	6,347	6,336	7,180	7,092
Closing balance	**17,055**	**16,943**	**16,394**	**16,231**

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN LEASE MAKE GOOD OF PREMISES PROVISIONS				
Opening balance	235	235	163	163
Liability increase	(6)	(6)	72	72
Closing balance	**229**	**229**	**235**	**235**

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
MOVEMENT IN DIRECTOR DEVELOPMENT PROVISION				
Opening balance	196	196	217	217
Less: Paid	(11)	(11)	(57)	(57)
Liability increase	-	-	36	36
Closing balance	**185**	**185**	**196**	**196**

MOVEMENT IN OTHER PROVISIONS	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Opening balance	-	-	200	200
Less: Paid	-	-	200	200
Closing balance	**-**	**-**	**-**	**-**

Employee entitlements: The rates applied to give effect to the discount of cash flows were 1.910%-2.635% (2017: 1.605%-2.740%). The latest annual CPI rate available was used – March 2018 1.9% (March 2017: 2.1%).
Lease make good: The rates applied to give effect to the discount of cash flows were 1.970%-1.985% (2017 1.605%-1.900%).

19. Subordinated debt

	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Subordinated debt	20,000	20,000	-	-
Accrued interest	64	64	-	-
Total subordinated debt	**20,064**	**20,064**	**-**	**-**

Teachers Mutual Bank Limited issued $20m of subordinated notes on the 7th September 2017. The notes have a term of 10 years and mature on the 7th September 2027.

20. Capital reserve

	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Opening balance	698	698	626	626
Transfer from retained earnings on share redemptions	48	48	72	72
Total capital reserve	**746**	**746**	**698**	**698**

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

21. General reserve for credit losses

	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Opening balance	13,007	13,007	9,894	9,894
Increase (decrease) transfer from retained earnings	761	761	3,113	3,113
Total general reserve for credit losses	**13,768**	**13,768**	**13,007**	**13,007**

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

22. Cash flow hedge reserve

	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Opening balance	(1,062)	(1,062)	(9,605)	(9,605)
Increase (decrease) transfer from retained earnings	1,360	1,360	8,543	8,543
Total cash flow hedge reserve	**298**	**298**	**(1,062)**	**(1,062)**

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

23. Financial risk management objectives and policies

Overview

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

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

Governance

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

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

The Audit Committee assists the Board by:

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

The Risk and Compliance Committee assists the Board by:

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

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

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

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

Market risk

Interest rate risk

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

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

Primary:

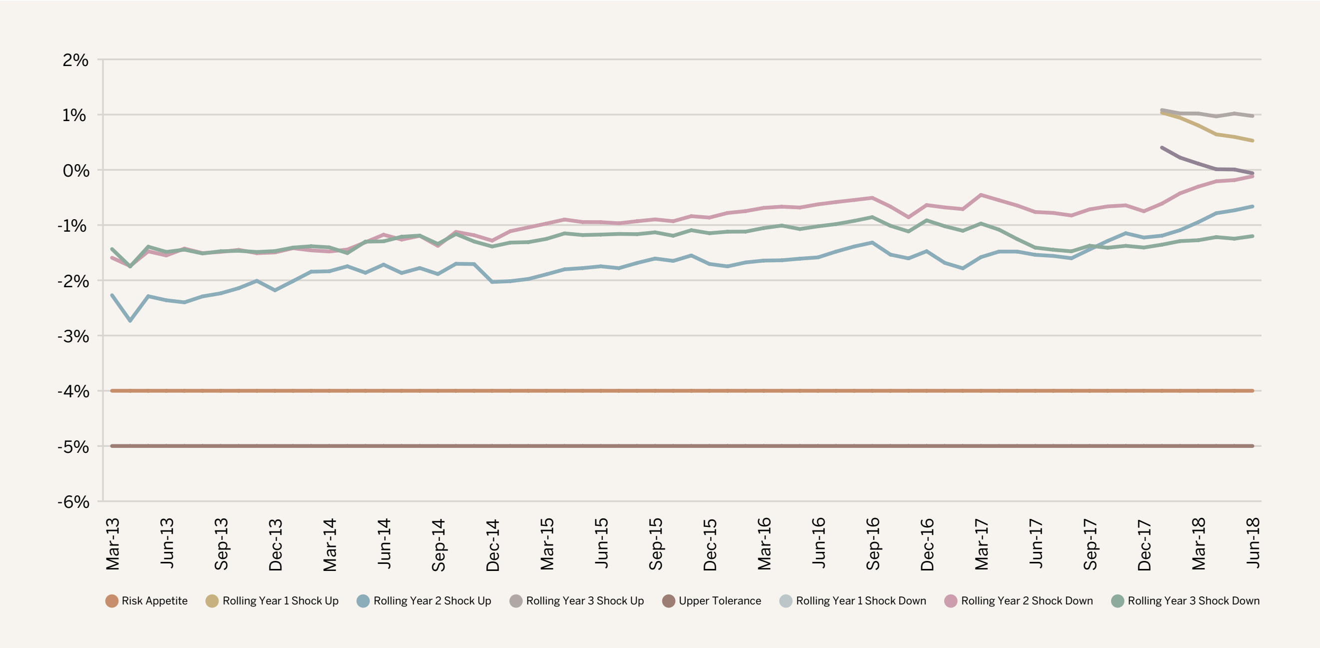
- Short, medium and long-term forecasts that are regularly updated;
- Monitoring of product totals to targets and the impact on current and future profitability, from likely rate changes; and
- Monthly Earnings at Risk Simulations including projections based on flat rates, yield curve, and upward and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

Secondary:

- Monthly Gap analysis;
- Monthly Sensitivity analysis;
- Monthly Value at Risk analysis; and
- Annual benchmarking against industry.

Earnings at risk (EaR) as a % of capital

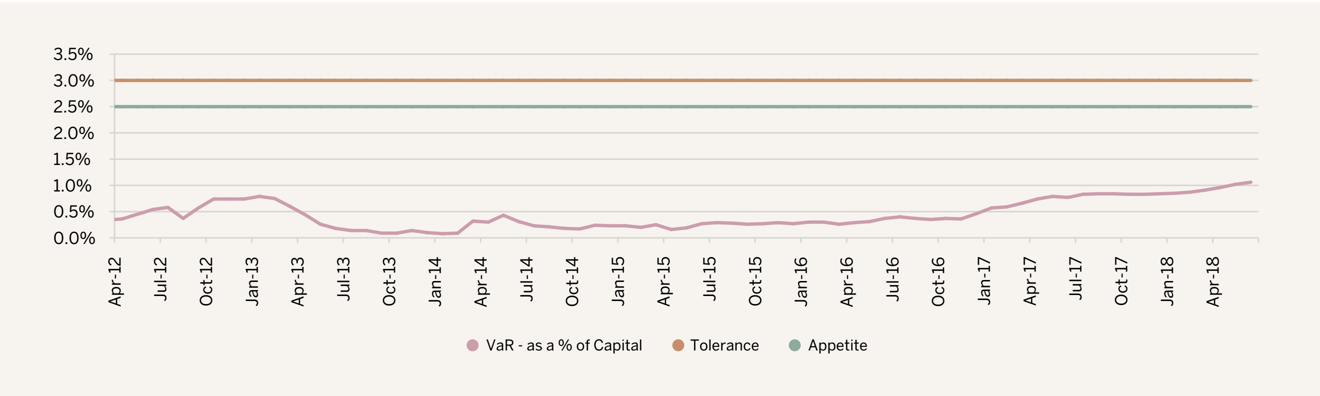
The Bank uses a forecasting model to measure the impact of rate changes on future profitability. A 1% shock up and down to the market yield curve is modelled each month over a rolling 3 year period. The Bank has recently introduced monitoring the exposure to upward movement as well as downward movements. The results are shown in the graph below.



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

Value at risk (VaR) as a % of capital

Value at risk (VaR) measures the risk of changes in value of financial assets and liabilities associated with changes in market rates for a given time period of 250 working days, and with a given confidence level of 99%. This measure represents the maximum change as a % of capital of the Bank.



99% confidence interval, 20-day holding period, 250-day observation period. Note: Note: A change in methodology was approved effective from April 2015 for sensitivity reporting to treat only rate-locked loans approved not advanced (LANA) as an exposure whereas previously all LANA was treated as an exposure. This change affects Value at Risk and Sensitivity measures.

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

The level of mismatch on the banking book is set out in Note 25. Note 27 displays the period that each asset and liability will reprice as at the balance date.

Market risk – equity investments

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

Liquidity risk

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

The Group manages liquidity risk by:

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

The Group has set out the maturity profile of the financial liabilities in Note 25, based on the contractual repayment terms.

The Parent is subject to the minimum liquidity holdings approach under Prudential Standard APS 210 and as such is not required to adopt the liquidity coverage ratio or net stable funding ratio measures. The Parent is required to maintain a minimum of 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours. The Parent's risk appetite is to maintain at least 11% of funds as liquid assets to maintain adequate funds to meet member withdrawal requests. The ratio is calculated daily. Should the liquidity ratio fall below this level, Management and Board have policies and procedures in place to address the matter and ensure that liquid funds are obtained from new deposits either from Authorised Deposit-taking Institutions (ADIs), retail and wholesale depositors, or borrowing facilities available. Note 30 describes the borrowing facilities available as at the balance date. The Parent also maintains a self-securitisation capability. Note 35 details the balance of loans securitised to create repo-eligible securities.

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

	2018	2017
As at 30 June	13.50%	15.94%
Average for the year	16.42%	14.89%
Minimum during the year	13.36%	13.37%
Total adjusted liabilities	**7,155,043,337**	**6,764,288,066**

Credit risk

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

Credit risk – lending

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus undrawn facilities consisting of loans approved not advanced, redraw facilities, overdraft facilities and credit card limits. The details are shown in Note 28.

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

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

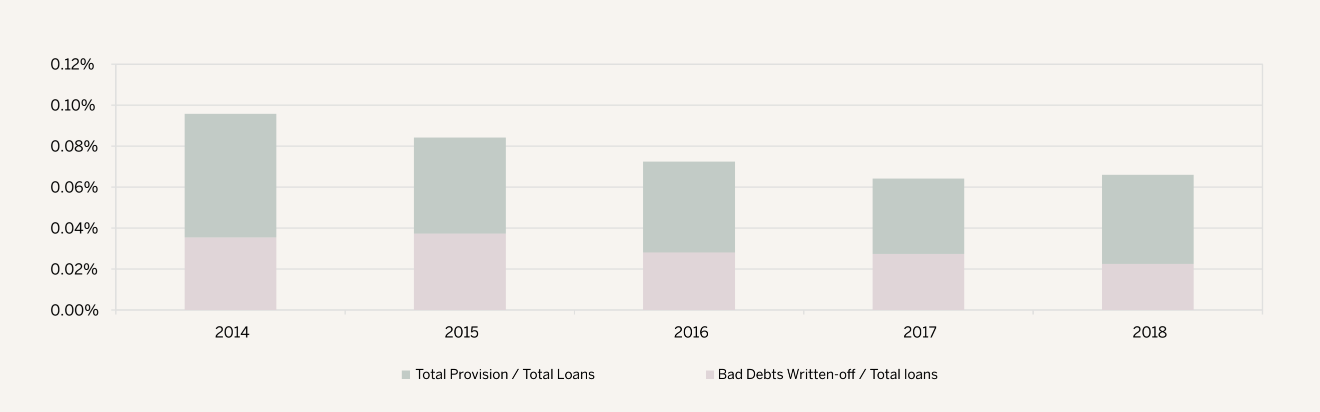
Concentrations are described in Note 7c. The Group has a concentration in retail lending to members who are predominantly employees in the Australian education sector and their families. This concentration is considered acceptable on the basis that the Group was formed to service these members, the industry is an essential and stable industry and employment concentration is not restricted to one employer. Should members leave the sector the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans.

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

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

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

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

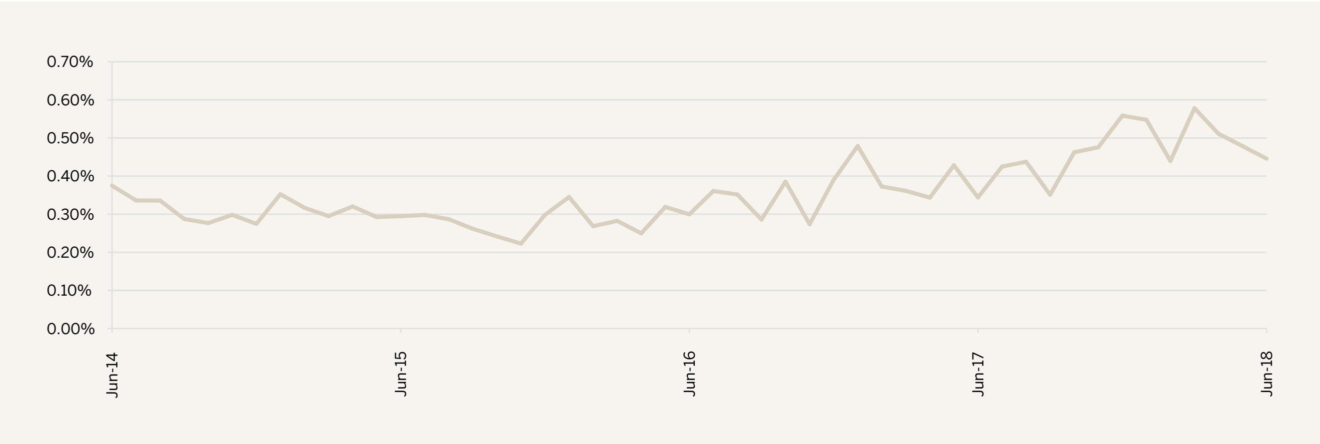


Collateral securing loans

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

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

Percentage of mortgage portfolio in arrears



Credit risk – investing

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

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

2018				
Investments with:	**No. of institutions**	**Carrying value**	**Past due value**	**Provision**
ADIs-rated A-1+ to A-1 (short-term)	7	185,450,506	-	-
ADIs-rated A-2 or P-2 (short-term)	12	270,883,395	-	-
ADIs-rated A-3 or P-3 (short-term)	3	36,754,141	-	-
ADIs-rated AA+ to AA- (long-term)	4	235,211,973	-	-
ADIs-rated A+ to A- (long-term)	5	175,578,215	-	-
ADIs-rated BBB+ to BBB or Baa1 (long term)	6	99,205,945	-	-
Total		**1,003,084,175**	**-**	**-**

2017

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

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

Operational risk

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

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

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

Operational risk management

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

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

Compliance

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

Fraud

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

Outsourcing arrangements

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

Cuscal Limited

Cuscal Limited (Cuscal) is an ADI that supplies settlement, transaction processing, card, interchange and other services to other organisations including Banks, Credit Unions and Building Societies. In relation to the Group, Cuscal:

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

ii. Supplies Visa cards;

iii. Provides settlement services for member cheques, Electronic Funds Transfer (EFT), EFTPOS, ATM, Direct Entry, BPAY, NPP, Mobile Banking and Visa card transactions and real-time gross settlement system (RTGS) payments;

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

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

Ultradata Australia Pty Ltd

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

Capital management

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

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

Pillar 1

Capital is measured as prescribed by APRA's prudential standards. These standards act to deliver capital requirements in respect of credit risk, market risk and operational risk.

Credit risk

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

2018 **ON-STATEMENT OF FINANCIAL POSITION EXPOSURES**	**Carrying value**	**Risk weighting/ Credit risk mitigation**	**Risk weighted amount**
Cash	1,310,021	-	-
Deposits in highly rated ADIs	458,457,648	20%	91,691,530
Deposits in less highly rated ADIs	544,626,527	50%	272,313,263
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	4,965,426,595	35%	1,737,899,308
Standard loans secured against eligible residential mortgages over 80% LVR	770,092,818	50-75%	388,221,728
Other standard mortgage loans	23,258,810	100%	23,258,810
Non-standard mortgage loans	22,857,297	35-100%	15,001,643
Other loans	208,446,849	0-100%	208,344,235
Other assets	46,466,667	100%	46,466,667
Total	**7,040,943,232**		**2,783,197,184**

2018 NON-MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk weighted amount
Loans approved and not advanced	207,684,905	100%	207,684,905	35%-100%	98,780,443
Redraws available	423,978,513	50%	211,989,256	35%-100%	77,292,900
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	307,142,063	-	-	-	-
Possible contribution to CUFSS Limited	100,000,000	-	-	-	-
Total	**1,038,805,581**		**419,674,261**		**176,073,443**

MARKET RELATED OFF-STATEMENT OF FINANCIAL POSITION EXPOSURES	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	Risk weighted amount
Residual maturity 1 year or less	261,200,000	0%	-	149,209	149,209	29,842
Residual maturity > 1 year to 5 years	277,000,000	1%	1,385,000	772,033	2,157,033	431,406
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	**538,200,000**		**1,385,000**	**921,242**	**2,306,242**	**461,248**

Total weighted credit risk exposures	**2,959,731,875**

Market risk

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

Operational risk

Operational risk is measured using the Standardised Approach defined in Prudential Standard APS114. The capital charge is based upon portfolio balances and revenue streams with scaling and risk factors applied to reflect APRA's assessment of the particular risk profiles.

OPERATIONAL RISK CAPITAL REQUIREMENT FOR RETAIL BANKING

	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18
Total gross outstanding loans and advances for retail banking	4,432,278,852	4,595,067,248	5,056,181,646	5,477,914,787	5,580,317,615	5,993,575,816
- multiplied by 3.5% scaling factor	155,129,760	160,827,354	176,966,358	191,727,018	195,311,117	209,775,154
- multiplied by 12% risk factor	18,615,571	19,299,282	21,235,963	23,007,242	23,437,334	25,173,018
Average of the 6 half-year results = Total operational risk capital requirement for retail banking						**21,794,735**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR COMMERCIAL BANKING

Total gross outstanding loans and advances for commercial banking	852,017,522	853,625,849	903,383,637	1,078,074,273	1,218,730,671	964,941,406
- multiplied by 3.5% scaling factor	29,820,613	29,876,905	31,618,427	37,732,600	42,655,574	33,772,949
- multiplied by 15% risk factor	4,473,092	4,481,536	4,742,764	5,659,890	6,398,336	5,065,942
Average of the 6 half-year results = Total operational risk capital requirement for commercial banking						**5,136,927**

OPERATIONAL RISK CAPITAL REQUIREMENT FOR ALL OTHER ACTIVITY

Adjusted gross income	2,835,641	3,939,191	2,694,694	4,352,198	2,997,841	4,559,025
- multiplied by 18% risk factor	510,415	709,054	485,045	783,396	539,611	820,625

OPERATIONAL RISK CAPITAL REQUIREMENT FOR OTHER ACTIVITIES	
Average of the 3 annual results = Total operational risk capital requirement for all other activity	**1,282,715**
Total operational risk capital requirement	**28,214,377**
Risk weighted asset (RWA) equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	**352,679,716**
Total credit and operational risk weighted	**3,312,411,591**

Capital resources

- **Tier 1 capital**
  - » The majority of Tier 1 capital consists of Common Equity Tier 1 Capital, which is our retained earnings.
- **Tier 2 capital**
  - » Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by Australian Prudential Standards. Tier 2 capital generally comprises a reserve for credit losses and subordinated debt.

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

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

CAPITAL IN THE PARENT IS MADE UP AS FOLLOWS:	2018	2017
Tier 1 Common Equity	503,869,268	473,477,550
Less: Prescribed deductions	(19,172,023)	(18,575,052)
Tier 1 capital	**484,697,245**	**454,902,498**
Tier 2 Reserve for credit losses	13,767,531	13,006,919
Tier 2 Subordinated debt	20,000,000	-
Total Tier 2 capital	**33,767,531**	**13,006,919**
Total capital	**518,464,776**	**467,909,417**

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

2018	2017	2016	2015	2014
15.65%	**15.09%**	**15.85%**	**15.74%**	**15.72%**

Pillar 2

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

These risks fall into 3 categories:

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

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

Risks requiring uplift

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

- **Strategic Risk**
  - » Business environment risk
  - » Business opportunities
- **Credit Risk**
  - » Investing – Counterparty default risk
- **Operational Risk**
- **Market Risk**
  - » Liquidity – Lack of diversification of funding sources
  - » Interest rate risk in the banking book

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

Internal capital adequacy management

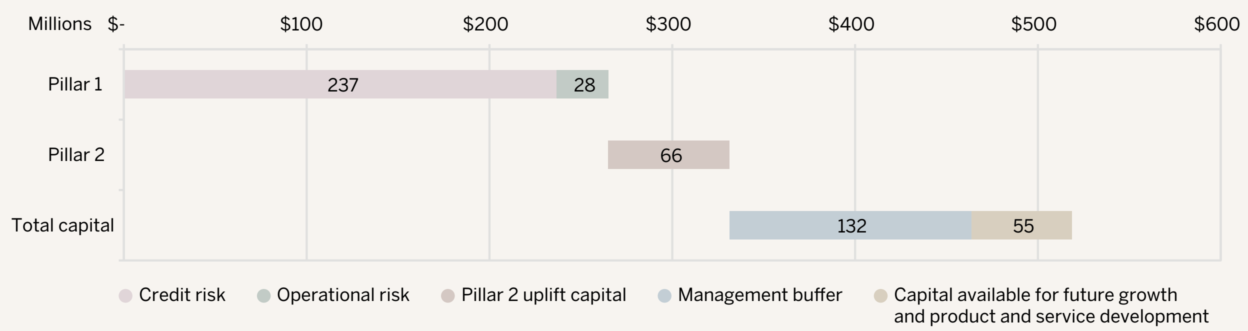
The Group manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Group's forecasts for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

Contingency buffer for business cycle volatility

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

			2018
	RWA	**Minimum capital required**	**% Equivalent of RWA**
Credit risk	2,959,731,875	236,778,550	8.00%
Operational risk	352,679,716	28,214,377	8.00%
Total	**3,312,411,591**	**264,992,927**	**8.00%**
Pillar 2 uplift capital		66,248,232	2.00%
ICAAP capital required		331,241,159	10.00%
Buffer for business cycle volatility		132,496,464	4.00%
Capital available for future growth and product and service development		54,727,153	1.65%
Risk-based capital ratio		**518,464,776**	**15.65%**
Common Equity Tier 1 capital ratio		**484,697,245**	**14.63%**
Tier 1 capital ratio		**484,697,245**	**14.63%**
Tier 2 capital ratio		**33,767,531**	**1.02%**

Categorisation of capital



24. Categories of financial instruments

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

	Note(s)	2018 $'000		2017 $'000	
FINANCIAL ASSETS – CARRIED AT AMORTISED COST		**Consolidated**	**Parent**	**Consolidated**	**Parent**
Cash on hand and deposits at call		70,884	70,884	146,758	146,758
Receivables from financial institutions	4	933,510	933,510	984,279	984,279
Receivables	6	5,450	5,080	12,085	11,579
Loans and advances to members	7 & 8	5,997,831	5,997,831	5,480,497	5,480,497
Total carried at amortised cost		**7,007,675**	**7,007,305**	**6,623,619**	**6,623,113**
Cash flow hedge derivative assets – carried at fair value	5	818	818	1,338	1,338
Available for sale investment – carried at fair value	9	5,145	5,145	5,145	5,145
Investments in controlled entities – carried at fair value	10	-	147	-	147
Total financial assets		**7,013,638**	**7,013,415**	**6,630,102**	**6,629,743**
FINANCIAL LIABILITIES – CARRIED AT AMORTISED COST					
Borrowings		-	-	-	-
Wholesale sector funding	14	670,879	670,879	680,261	680,261
Retail deposits	15	5,812,848	5,813,647	5,479,060	5,479,874
Creditors, accruals and settlement accounts	16	19,839	19,480	9,794	9,349
Subordinated Debt	19	20,064	20,064	-	-
Total carried at amortised cost		**6,523,630**	**6,524,070**	**6,169,115**	**6,169,484**
Cash flow hedge derivative liabilities – carried at fair value	5	519	519	2,645	2,645
Total financial liabilities		**6,524,149**	**6,524,589**	**6,171,760**	**6,172,129**

b. Assets measured at fair value

Consolidated	**2018 $'000**	**Level 1**	**Level 2**	**Level 3**
Cash flow hedge derivatives	818	-	818	-
Available for sale investments	5,145	-	-	5,145
Total	**5,963**	**-**	**818**	**5,145**

Parent	**2018 $'000**	**Level 1**	**Level 2**	**Level 3**
Cash flow hedge derivatives	818	-	818	-
Available for sale investments	5,145	-	-	5,145
Investments in controlled entities	147	-	-	147
Total	**6,110**	**-**	**818**	**5,292**

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

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

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

Cash flow hedge derivatives

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

Available for sale investments and investments in controlled entities

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

25. Maturity profile of financial assets and liabilities

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

CONSOLIDATED

2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	18,851	-	-	52,033	-	-	70,884	70,884
Receivables from financial institutions	143,627	210,130	298,859	280,894	-	-	933,510	933,510
Receivables	2,583	1,399	5,507	20,417	-	-	29,906	5,450
Loans and advances to members	47,981	92,498	410,189	1,625,302	7,541,406	-	9,717,376	5,997,831
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Cash flow hedge derivative asset	883	170	709	266	-	-	2,028	818
Total financial assets	**213,925**	**304,197**	**715,264**	**1,978,912**	**7,541,406**	**5,145**	**10,758,849**	**7,013,638**

2018 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	140,355	81,436	220,901	240,284	-	-	682,976	670,879
Subordinated debt	-	-	-	-	24,642	-	24,642	20,064
Retail deposits	2,311,293	464,033	2,110,404	960,975	-	2,274	5,848,979	5,812,848
Creditors, accruals and settlement accounts	19,839	-	-	-	-	-	19,839	19,839
Cash flow hedge derivatives liabilities	529	50	191	233	-	-	1,003	519
Total financial liabilities	**2,472,016**	**545,519**	**2,331,496**	**1,201,492**	**24,642**	**2,274**	**6,577,439**	**6,524,149**

PARENT

2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	> 5 years	No maturity	Total	Statement of financial position
Cash on hand and deposits at call	18,851	-	-	52,033	-	-	70,884	70,884
Receivables from financial institutions	143,627	210,130	298,859	280,894	-	-	933,510	933,510
Receivables	2,213	1,399	5,507	20,417	-	-	29,536	5,080
Loans and advances to members	47,981	92,498	410,189	1,625,302	7,541,406	-	9,717,376	5,997,831
Available for sale investments	-	-	-	-	-	5,145	5,145	5,145
Investments in controlled entities	-	-	-	-	-	147	147	147
Cash flow hedge derivatives asset	883	170	709	266	-	-	2,028	818
Total financial assets	**213,555**	**304,197**	**715,264**	**1,978,912**	**7,541,406**	**5,292**	**10,758,626**	**7,013,415**

2018 Liabilities $'000								
Borrowings	-	-	-	-	-	-	-	-
Wholesale sector funding	140,355	81,436	220,901	240,284	-	-	682,976	670,879
Subordinated debt	-	-	-	-	24,642	-	24,642	20,064
Retail deposits	2,312,091	464,034	2,110,404	960,975	-	2,274	5,849,778	5,813,647
Creditors, accruals and settlement accounts	19,480	-	-	-	-	-	19,480	19,480
Cash flow hedge derivative liabilities	529	50	191	233	-	-	1,003	519
Total financial liabilities	**2,472,455**	**545,520**	**2,331,496**	**1,201,492**	**24,642**	**2,274**	**6,577,879**	**6,524,589**

CONSOLIDATED

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

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

PARENT

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

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

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

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

CONSOLIDATED

2018 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	18,851	52,033	70,884
Receivables from financial institutions	652,616	280,894	933,510
Receivables	5,450	-	5,450
Loans and advances to members	289,333	5,703,358	5,992,691
Available for sale investments	-	5,145	5,145
Cash flow hedge derivative asset	818	-	818
Total financial assets	**967,068**	**6,041,430**	**7,008,498**

2018 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	440,254	230,625	670,879
Subordinated Debt	-	20,064	20,064
Retail deposits	4,860,550	952,298	5,812,848
Creditors, accruals and settlement accounts	19,839	-	19,839
Cash flow hedge derivative liabilities	519	-	519
Total financial liabilities	**5,321,162**	**1,202,987**	**6,524,149**

PARENT

2018 Assets $'000	Within 12 months	After 12 months	Total
Cash on hand and deposits at call	18,851	52,033	70,884
Receivables from financial institutions	652,616	280,894	933,510
Receivables	5,080	-	5,080
Loans and advances to members	289,333	5,703,358	5,992,691
Available for sale investments	-	5,145	5,145
Investments in controlled entities	-	147	147
Cash flow hedge derivatives asset	818	-	818
Total financial assets	**966,698**	**6,041,577**	**7,008,275**

2018 Liabilities $'000			
Borrowings	-	-	-
Wholesale sector funding	440,254	230,625	670,879
Subordinated debt	-	20,064	20,064
Retail deposits	4,861,349	952,298	5,813,647
Creditors, accruals and settlement accounts	19,480	-	19,480
Cash flow hedge derivatives liabilities	519	-	519
Total financial liabilities	**5,321,602**	**1,202,987**	**6,524,589**

CONSOLIDATED

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

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

PARENT

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

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

27. Interest rate change profile of financial assets and liabilities

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

CONSOLIDATED 2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	17,541	52,033	-	-	1,310	70,884
Receivables from financial institutions	463,075	384,302	86,133	-	-	933,510
Receivables	-	-	-	-	5,450	5,450
Loans and advances to members	2,769,704	126,470	719,296	2,376,999	222	5,992,691
Available for sale investments	-	-	-	-	5,145	5,145
Cash flow hedge derivatives asset	818	-	-	-	-	818
Total financial assets	**3,251,138**	**562,805**	**805,429**	**2,376,999**	**12,127**	**7,008,498**

2018 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	140,229	81,178	218,847	230,625	-	670,879
Subordinated Debt		20,064				20,064
Retail deposits	2,310,966	463,071	2,086,513	950,024	2,274	5,812,848
Creditors, accruals and settlement accounts	-	-	-	-	19,839	19,839
Cash flow hedge derivative liabilities	519	-	-	-	-	519
On-statement of financial position	2,451,714	564,313	2,305,360	1,180,649	22,113	6,524,149
Undrawn loan commitments (see Note 29a, 29b, 29c)	938,806	-	-	-	-	938,806
Total financial liabilities	**3,390,520**	**564,313**	**2,305,360**	**1,180,649**	**22,113**	**7,462,955**

PARENT

2018 Assets $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Cash on hand and deposits at call	17,541	52,033	-	-	1,310	70,884
Receivables from financial institutions	463,075	384,302	86,133	-	-	933,510
Receivables	-	-	-	-	5,080	5,080
Loans and advances to members	2,769,704	126,470	719,296	2,376,999	222	5,992,691
Available for sale investments	-	-	-	-	5,145	5,145
Investments in controlled entities	-	-	-	-	147	147
Cash flow hedge derivative asset	818	-	-	-	-	818
Total financial assets	**3,251,138**	**562,805**	**805,429**	**2,376,999**	**11,904**	**7,008,275**

2018 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	140,229	81,178	218,847	230,625	-	670,879
Subordinated Debt		20,064				
Retail deposits	2,311,764	463,072	2,086,513	950,024	2,274	5,813,647
Creditors, accruals and settlement accounts	-	-	-	-	19,480	19,480
Cash flow hedge derivative liabilities	519	-	-	-	-	2,645
On-statement of financial position	2,452,512	564,314	2,305,360	1,180,649	21,754	6,524,589
Undrawn loan commitments (see Note 29a, 29b, 29c)	938,806	-	-	-	-	938,806
Total financial liabilities	**3,391,318**	**564,314**	**2,305,360**	**1,180,649**	**21,754**	**7,463,395**

CONSOLIDATED

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

2017 Liabilities $'000	Within 1 month	> 1 to 3 months	> 3 to 12 months	> 1 to 5 years	Non-interest bearing	Total
Borrowings	-	-	-	-	-	-
Wholesale sector funding	104,899	151,428	173,146	250,788	-	680,261
Retail deposits	2,309,492	698,852	1,854,273	614,258	2,185	5,479,060
Creditors, accruals and settlement accounts	-	-	-	-	9,794	9,794
Cash flow hedge derivative liabilities	2,391	254	-	-	-	2,645
On-statement of financial position	2,416,782	850,534	2,027,419	865,046	11,979	6,171,760
Undrawn loan commitments (see Note 29a, 29b, 29c)	881,498	-	-	-	-	881,498
Total financial liabilities	**3,298,280**	**850,534**	**2,027,419**	**865,046**	**11,979**	**7,053,258**

PARENT

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

2017 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	104,899	151,428	173,146	250,788	-	680,261
Retail deposits	2,310,306	698,852	1,854,273	614,258	2,185	5,479,874
Creditors, accruals and settlement accounts	-	-	-	-	9,349	9,349
Cash flow hedge derivative liabilities	2,391	254	-	-	-	2,645
On-statement of financial position	2,417,596	850,534	2,027,419	865,046	11,534	6,172,129
Undrawn loan commitments (see Note 29a, 29b, 29c)	881,498	-	-	-	-	881,498
Total financial liabilities	**3,299,094**	**850,534**	**2,027,419**	**865,046**	**11,534**	**7,053,627**

28. Fair value of financial assets and liabilities

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

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

	CONSOLIDATED			PARENT		
2018 Assets $'000	**Fair value**	**Book value**	**Variance**	**Fair value**	**Book value**	**Variance**
Cash on hand and deposits at call	70,884	70,884	-	70,884	70,884	-
Receivables from financial institutions	934,799	933,510	1,289	934,799	933,510	1,289
Receivables	5,450	5,450	-	5,080	5,080	-
Loans and advances to members	5,999,590	5,997,831	1,759	5,999,590	5,997,831	1,759
Available for sale investments	5,145	5,145	-	5,145	5,145	-
Investments in controlled entities	-	-	-	147	147	-
Cash flow hedge derivative asset	818	818	-	818	818	-
Total financial assets	**7,016,686**	**7,013,638**	**3,048**	**7,016,463**	**7,013,415**	**3,048**

2018 Liabilities $'000						
Borrowings	-	-	-	-	-	-
Wholesale sector funding	669,278	670,879	(1,601)	669,278	670,879	(1,601)
Subordinated Debt	20,064	20,064	-	20,064	20,064	-
Retail deposits	5,815,758	5,812,848	2,910	5,816,557	5,813,647	2,910
Creditors, accruals and settlement accounts	19,839	19,839	-	19,480	19,480	-
Cash flow hedge derivative liabilities	519	519	-	519	519	-
Total financial liabilities	**6,525,458**	**6,524,149**	**1,309**	**6,525,898**	**6,524,589**	**1,309**

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

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

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

Fair value estimates were determined using the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying value of cash is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of NCDs and term deposits from other financial institutions. The rates applied to give effect to the discount of cash flows were 1.62%-2.50% (2017: 1.85%-2.67%). Independent revaluations were used for fixed income security trading margins.

Loans and advances

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

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

The rates applied to give effect to the discount of cash flows were 3.69%-11.50% (2017: 4.04%-11.50%).

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

Wholesale sector funding and retail deposits

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

- **Wholesale sector funding:** The rates applied to give effect to the discount of cash flows were 2.12%-3.67% (2017: 1.77%-2.81%).
- **Retail deposits:** The rates applied to give effect to the discount of cash flows were 1.38%-2.83% (2017: 1.48%-3.10%).

Short-term borrowings

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

29. Financial commitments

a. Outstanding loan commitments

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Loans approved but not funded	**207,685**	**207,685**	**140,336**	**140,336**

b. Loan redraw facilities

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Loan redraw facilities available	**423,979**	**423,979**	**434,165**	**434,165**

c. Undrawn loan facilities

Loan facilities available to members for overdrafts and credit cards are as follows:	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Total value of facilities approved	403,817	403,817	407,127	407,127
Less: Amount advanced	(96,675)	(96,675)	(100,130)	(100,130)
Net undrawn value	**307,142**	**307,142**	**306,997**	**306,997**

d. Future capital commitments

The Group has entered into a contract to purchase plant and property for which the amount is to be paid over the following periods:	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	103	103	275	275
Total	**103**	**103**	**275**	**275**

e. Computer capital commitments

	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	194	194	8	8
Total	**194**	**194**	**8**	**8**

f. Lease expenditure commitments

Operating leases on property occupied by the group:	2018 $'000		2017 $'000	
	Consolidated	Parent	Consolidated	Parent
Not later than one year	426	426	860	860
Later than 1 year but not 2 years	204	204	428	428
Later than 2 years but not 5 years	-	-	204	204
Over 5 years	-	-	-	-
Total	**630**	**630**	**1,492**	**1,492**

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

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

30. Standby borrowing facilities

The Group has borrowing facilities as follows:

	Gross	Current borrowings	2018 $'000 Net available
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**

			2017 $'000
CONSOLIDATED			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**
PARENT			
Overdraft facility	5,000	-	5,000
Total standby borrowing facilities	**5,000**	**-**	**5,000**

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

Diploma Travel has bank overdraft facilities amounting to $30,000 with the Parent (eliminated upon consolidation). Tertiary Travel has bank overdraft facilities amounting to $150,000 with the Parent (eliminated upon consolidation). This may be drawn upon at any time, and terminated at any time at the option of the financial institution. At 30 June 2018 none of the facilities were used. Interest rates are variable.

31. Contingent liabilities

Liquidity support scheme

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

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Australian mutual ADI member is 3.0% of the Parent's total assets, capped at a maximum $100 million. This amount represents the participating Australian mutual ADI's irrevocable commitment under the ISC.

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

a. Remuneration of key management personnel (KMP)

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

A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

KMP is deemed to comprise the Directors and the eight members of the executive management of the Parent (2017-2018) who are responsible for the day-to-day financial and operational management of the Group.

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

					2018 $'000
	Short-term	**Post-employment**	**Motor vehicle**	**Net increases in long service leave provision**	**Total**
Short-term employee benefits:					
J Kouimanos	110	27	-	-	137
L Green	86	8	-	-	94
T Carlin	71	7	-	-	78
M Collopy	78	7			85
J Leete	70	7			77
G Lockwood	57	24			81
W Ford	70	7			77
M O'Neill	70	7			77
M O'Halloran	67	10			77
Short-term employee benefits – other	-	-	-	-	0
Reimbursement to employer	-	-	-	-	0
Total	**679**	**104**	**-**	**-**	**783**
Other KMP	3,273	271	81	162	**3,787**

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

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

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

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

b. Loans to Directors and other KMP

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

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

	2018 $'000			2017 $'000		
	Mortgage term loans	**Other term loans**	**Revolving credit facilities**	**Mortgage term loans**	**Other term loans**	**Revolving credit facilities**
Funds available to be drawn	630	-	173	984	-	159
Balance	1,938	-	37	2,319	-	61
Amounts disbursed or facilities increased in the year	-	-	8	-	-	4
Interest and other revenue earned	63	-	6	60	-	7

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

	2018 $'000	**2017 $'000**
Total value term and savings deposits from Directors and other KMPs	7,416	1,139
Total interest paid on deposits to Directors and other KMPs	78	63

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

d. Transactions with related entities

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

2018 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Q.T. Travel Pty Ltd trading as Diploma World Travel Service	71	-	-

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

2018 $'000	**Sales to related parties**	**Purchases from related parties**	**Other transactions**
Tertiary Travel Service Pty Ltd	316	-	-

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

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

e. Transactions with related parties

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

An attendance fee was paid to Graeme Green as chair of the members committee, amounting to $2,332 (2017: $3,180). Graeme Green is the spouse of Linda Green.

33. Segmental reporting

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

34. Superannuation liabilities

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

The defined benefit Plan sub-group arrangements create the potential for actuarial risk to be shared between participating employers, with the effect that defined benefit obligations may not be reliably measured and that the plan is not accounted for as a defined benefit plan. Teachers Mutual Bank Limited employees represent 2 of the total of 8 employees of the plan and there are four employers in total.

The financing objective of the sub-group is to target defined benefit assets at least equal to 105% of the Discounted Accrued Retirement Benefits. The sub-group is in an Unsatisfactory Financial Position (as defined under SIS Regulations 1994 to mean that the assets are not sufficient to meet the vested benefits) at 31 March 2018 and has not met its financial objective. A restoration plan was put in place on 21 November 2017 and this stated that the ongoing contributions in respect of all members would be 8% of salary in respect of the defined benefit arrangements plus $15,333 per annum expenses. For those members with salary based benefits, their employer would also have to contribute an amount to recover the member's insurance premium plus a deficit contribution on their exit from the Plan as advised by the Actuary.

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

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

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

35. Transfers of financial assets

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

Securitised loans retained on-statement of financial position

EdSec Funding Trust No.1 has been established as a mechanism to obtain liquid funds from the Reserve Bank of Australia.

The value of securitised loans that do not qualify for de-recognition are set out below. All loans are variable interest rate loans, with the book value and fair value of the loans being equivalent. During the year the Parent assigned an additional $402 million in loans (2017: $223 million) to the Trust.

	2018 $'000	2017 $'000
Total amount of securitised loans under management	757,584	663,740

36. Notes to statement of cash flows

a. Reconciliation of cash

CASH INCLUDES CASH ON HAND AND DEPOSITS AT CALL WITH OTHER FINANCIAL INSTITUTIONS AND COMPRISES	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Cash on hand and deposits at call	70,884	70,884	146,758	146,758

b. Reconciliation of cash from operations to accounting profit

THE NET CASH INCREASE/(DECREASE) FROM OPERATING ACTIVITIES IS RECONCILED TO PROFIT AFTER TAX	2018 $'000 Consolidated	2018 $'000 Parent	2017 $'000 Consolidated	2017 $'000 Parent
Profit after income tax	31,742	31,799	27,622	27,878
Add (less):				
- Provision for impairment and bad debts written off (net)	2,105	2,105	2,498	2,498
- Depreciation of property, plant and equipment	6,517	6,517	6,103	6,100
- Provision for employee entitlements	712	712	2,036	2,036
- Other provisions	432	481	(637)	(629)
- Loss on disposal of plant and equipment (net)	(19)	(19)	59	59
- Bad debts recovered	(1,076)	(1,076)	(1,153)	(1,153)
CHANGES IN ASSETS AND LIABILITIES				
- Prepaid expenses and sundry debtors	234	231	(1,300)	(1,306)
- Accrued expenses and sundry creditors	123	123	(12)	(12)
- Interest receivable	498	499	362	362
- Interest payable	1,509	1,509	3,774	3,774
- Other income receivable	21	21	(192)	(192)
- Unearned income	123	123	(194)	(194)
- Increase in other assets	-	-	(77)	(77)
- Increases in loans and advances to members	(518,955)	(518,955)	(772,056)	(772,056)
- Increase in retail deposits	349,206	349,141	633,176	632,842
- Provision for income tax	430	430	(330)	(336)
- Deferred tax assets	(352)	(390)	(680)	(595)
Net cash flows from operating activities	**(126,750)**	**(126,749)**	**(101,001)**	**(101,001)**

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

37. Events occurring after balance date

On 2 July 2018, the Bank issued $200 million of senior unsecured notes to 42 investors as part of the Bank's funding strategy. As the note issuance occurred on 2 July 2018, the financial effect of this has not been recognised in the financial statements for 30 June 2018. No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Group in subsequent financial years.

38. Corporate information

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

Directors' declaration

For the year ended 30 June 2018

Directors' declaration

The Directors of Teachers Mutual Bank Limited declare that:

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

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

(b) give a true and fair view of the financial position of the Group as at 30 June 2018 and performance for the year ended on that date.

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

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

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

Signed on behalf of the Board of Directors by:

John Kouimanos, Chairman

Signed and dated this 27 August 2018

Independent Auditor's Report

For the year ended 30 June 2018

Grant Thornton

Independent auditor's report

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To the members of Teachers Mutual Bank Limited

We have audited the financial report of Teachers Mutual Bank Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

Basis for Opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information

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is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf.

This description forms part of our auditor's report.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M. Mattera
Partner – Audit & Assurance
Dated 27 August 2018

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Cufa Children's Financial Literacy Program

26,454 children educated • 17,410 children actively saving • 220 teachers trained • 1,029 financial literacy lessons held

The CFL program gives Cambodian children aged 6-12 who are living in poverty, the opportunity to create a brighter future for themselves and their families.

Need more information?

We’re here to help.

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

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