

# Chairman's report



The financial environment in which BCU operates is increasingly competitive with many new entrants in the market and declining margins. During 2006–2007 BCU responded with the introduction of new products, the formation of new strategic partnerships, the expansion of our branch network, the delivery of improved services to members and enhanced efficiencies with changes to our lending structure and internal processes.

## The year in review: The figures

This year saw the number of branches increase to 21 with the opening of a branch in Bundall on the Gold Coast. Staff numbers rose from 226 to 234 at the end of June 2007, while membership remained steady at 55,630.

Over the last year, net profit rose from \$5,067,269 to \$5,201,085, representing a 2.6% increase from the year before. This was achieved despite increased competition from brokers in the housing market plus greater focus by the national and international banks on the small-business market.

Total loans (excluding securitised loans and doubtful debt provisions) increased \$30 million as at end June 2007 to \$649,660,984, from \$619,333,950 in June 2006:

- personal loans were up \$2.8 million to \$52,998,555
- housing loans increased \$39 million to \$436,536,023
- commercial loans fell \$11 million to \$160,126,406. This decline can be largely attributed to the very competitive market that currently exists with the emergence of new lenders and predatory lending practices.

Member deposits grew by \$39 million during the year, or 5.5%, to \$754,884,284. Excluding member shares, this was made up of:

- \$343,652,402 in at-call savings – up more than \$23 million from 2006
- \$382,633,065 in term deposits – an increase of nearly \$3 million from 2006

- \$28,598,817 in RSAs (retirement savings accounts) – \$12.5 million more than the previous year. This significant increase was in response to changes to superannuation laws introduced by the Australian Government on 1 July 2007.

Total assets increased \$45 million from \$815,522,276 at the end of June 2006 to \$860,384,742 at 30 June 2007.

Non-interest income continues to play an important role in overall profit. BCU's insurance portfolio exceeded our commission target, increasing from \$793,000 (June 2006) to \$855,000 (June 2007). This growth trend is in keeping with our overall goal to ensure we offer a diversified product portfolio.

Members now have over \$100 million in funds under management through our financial planning partner, ComCorp (Community and Corporate Financial Services).

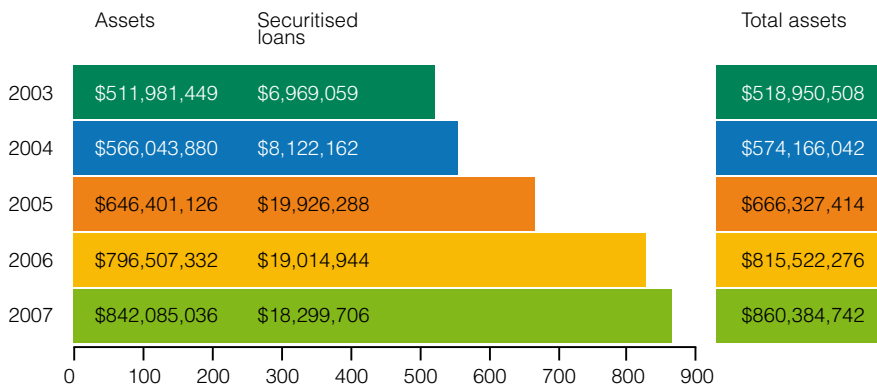
The number of members using BPAY to pay their bills increased significantly, with transactions up 15% on last year.

Internet banking is becoming increasingly popular with more active users this year and a 29% increase in transactions made through *iBank* since 2005–2006.

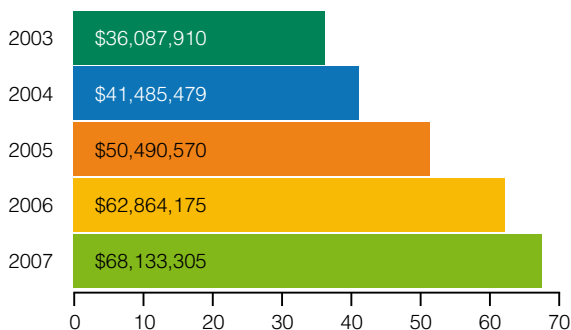
## The year in review: New infrastructure and services

In November we opened our twenty-first branch. Bundall was chosen as the preferred location for our entry into the south-east Queensland market

## Assets



## Equity



in order to capitalise on the growth of the Gold Coast. The new branch has already achieved positive product sales and membership numbers in its first year.

BCU's profile on the Gold Coast was strengthened when we became the official community banking sponsor of the newest NRL team, the Jetstar Gold Coast Titans. Our sponsorship of the BCU Junior Development Program will assist with our launch into the Gold Coast with Titans-branded products including community savings accounts, credit cards and home loans.

BCU also embarked on an extensive capital works program over the 2006–2007 financial year. Major branch refurbishments included new branch premises in South Grafton and the refurbishment and relocation of the Grafton branch to Prince Street.

An upgrade of ATMs across the whole network took place, and a new ATM was installed at the Iluka branch – the only 24-hour ATM in the town.

It is anticipated that a network-wide upgrade of our telephone system will realise cost savings in the vicinity of \$230,000 per annum.

Our phone centre, BCU Direct moved into bigger purpose-built premises in Coffs Harbour in order to accommodate an increase in staff numbers as a result of rising call volumes.

The number of calls handled by BCU Direct increased 14% over the year before, and the call abandonment rate continued to fall. It now stands at 3.3%, a big reduction on last year's figure of 8.77% and well below the industry standard average of around 10%.

During 2006–2007 we continued to develop and consolidate our strategic alliance with Prime Super where we are the preferred provider of banking services to one of Australia's largest super funds for rural and agricultural workers and businesses. During the year, we re-launched an improved and updated BCU/Prime Super co-branded website which will result in faster and more up-to-date information being available to BCU and Prime Super members.

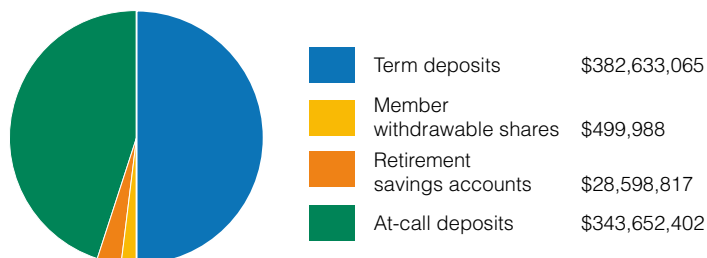
### The year in review: Personnel initiatives

Mindful of how competitive the loans market has become in recent years, BCU undertook a restructure of its lending operations. This led to an increase in the number of staff able to process loan enquiries from around 35 in early 2007 to 57 without any rise in overall staff numbers, thus improving turnaround times for loan applications.

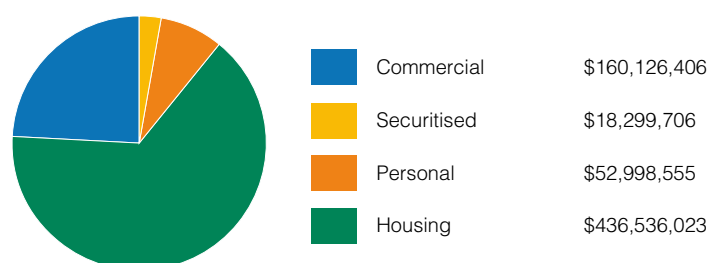
In addition to this, BCU introduced two-minute loan approvals. Authorised staff can now give members an indicative decision on their application within two minutes of providing the necessary loan details.

BCU's strength lies in the quality of its staff. In a labour market with relatively low unemployment, how do you find and keep the best people? Reassessing the skills we seek in applicants led to a change in our recruitment

## Deposits



## Loans under management



processes. Knowing that resumés can be misleading and traditional interviews are time consuming, we instigated a new approach: 'speed interviewing'.

In large assembled groups, we give potential applicants two minutes to present their resumés and display their skills. We are an organisation that relies on exceptional customer-service skills and this technique, which reproduces a customer-service situation, is proving very effective at highlighting those with the requisite skills. So far, we have conducted three such recruitment seminars and are convinced of their efficacy.

In a ground-breaking initiative, the BCU board approved the introduction of 'community leave' for BCU staff – a leave initiative that gives staff access to one day of their leave to participate in an approved community activity.

In addition, the board approved the introduction of one day's 'well leave' as a day for staff members to spend time with family or do something to increase personal wellbeing. We believe this leave is unique to BCU and is an additional incentive in attracting and retaining staff.

### The year in review: New products

This year saw BCU enter the credit card market with the launch of our BCU Classic and Bonus Rewarder Visa credit cards. The cards offer competitive interest rates, low annual fees and, with the Bonus Rewarder credit card, an innovative rewards program where you can redeem your points via EFTPOS outlets throughout Australia.

Over the last 12 months the response to our introduction of ASF (Australian Seniors Finance) home equity release loans (or reverse mortgages) has been overwhelming. Since their launch in late 2006, we have recorded sales in excess of \$1.7 million, indicating the popularity of this type of finance.

Following on from our success last year, BCU was once again awarded a five-star rating ('superior value') across all four business lending categories by CANNEX, Australia's leading independent financial services research group. This was the second time in a row that BCU has been rated so highly in a national banking survey.

BCU also received several four-star ratings ('exceptional value') indicating the high level of recognition BCU is achieving across its whole product range.

CANNEX five stars ('superior value'):

- business overdraft, secured by business property
- business overdraft, secured by residential property
- business loan secured by business property
- business loan secured by residential property
- 55 Plus deposit account
- BCU Classic Visa card.

CANNEX four stars ('exceptional value'):

- business loan 5-year, fixed term, secured by commercial property
- business loan 5-year, fixed term, secured by residential property
- incentive savings account

CANNEX Star Ratings Reports, 14 June 2006, 22 June 2006, February, March and May 2007 ([www.cannex.com.au](http://www.cannex.com.au)).

- home premier package variable mortgage
- investment premier package variable mortgage.

These CANNEX ratings demonstrate how well we are performing against all other business lenders across Australia. It also shows how competitive we are as a community credit union and that we remain a viable alternative to the banks. We not only provide value for money when compared with some of the best banking products in Australia but we achieve this without losing sight of our aim to provide personal service to our members and local communities.

### The year in review: Member benefits

In November 2006 BCU introduced an extensive loyalty rebate program to all members, with rebates calculated according to the value of members' combined banking with BCU. When the scheme was introduced, it was anticipated more than \$500,000 would be returned to members in the first year. In the first eight months to the end of June 2007, \$483,000 was returned to members in loyalty rebates.

In early 2007 BCU introduced a new membership category: BCU Direct membership. This was designed to increase BCU members' access to our products and services regardless of where in Australia they live and to retain members when they move out of the area. As at the end of June 2007, 840 members had converted to BCU Direct membership and we expect this figure to increase.

In late 2006 we delivered to all members the first issue of our quarterly magazine, *Let's Talk*. As its title suggests, the magazine is intended to increase communication with members about our community initiatives, products and services and to help educate members in financial matters through the feature articles.

Closely allied with the launch of *Let's Talk* was the creation of our new member-to-member discount directory. Via a web-based directory, BCU business members can offer discounts to other BCU members

free of charge. This initiative reinforces BCU's community philosophy where everyone benefits from supporting each other.

### The year ahead

It will be important in the coming 12 months to capitalise on the opportunities created over the previous three years of the strategic planning process. Significant resources have been spent on developing new products, strategic partnerships and branches in new markets with the aim of creating a solid platform on which to grow our sales and membership base.

With the appointment by Allianz of a commercial insurance specialist dedicated to servicing BCU and the introduction of a business credit card, our services to business will be enhanced over the coming 12 months.

In closing, I would like to extend a special thank you to our CEO (Ray Battle) and Deputy CEO (David Bevan). I'd also like to thank my fellow BCU directors, the management team and all BCU staff for their concentrated efforts over what has been a very busy and productive year.



G J Regan, Director  
Macksville  
11 October 2007