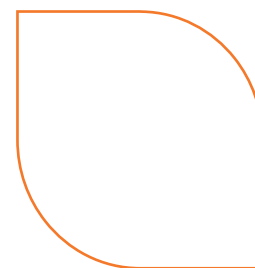


2016/2017

Annual Report

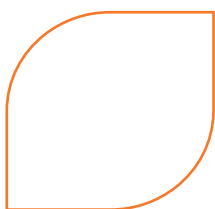






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Bananacoast Community Credit Union Ltd

Concise Financial Report

For the Year Ended 30 June 2017

The concise financial report is an extract from the full financial report for the year ended 30 June 2017. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position, financing and investing activities of the consolidated entity, being Bananacoast Community Credit Union Ltd (bcu) and its controlled entities, as the full financial report.

Further financial information can be obtained from the full financial report. The full financial report and auditor's report will be sent to members on request, free of charge.

Please call (02) 6690 3266 and a copy will be sent to you.

Registered Name: Bananacoast Community Credit Union Ltd

Registered Office: 69 Park Beach Road, Coffs Harbour NSW 2450

Telephone: 1300 228 228

Internet: www.bcu.com.au

ABN: 50 087 649 750

AFSL: 241077

Australian Credit License: 241077

External Auditor: BDO Audit Pty Ltd, Level 10, 12 Creek St, Brisbane QLD 4000

Directors' Report 2016–2017

The Directors present their report for the consolidated entity, being Bananacoast Community Credit Union Ltd (bcu) and its controlled entities, for the year ended 30 June 2017.

Non Executive Directors

Independent Non-Executive Directors in office at any time during the year or since the end of the year are:

Mr Grant Andrew Wallace

BBus, GAICD, CA, CTA, FTIA, NTAA

- Chairman
- Chairman Board Governance Committee
- Member Board Audit Committee
- Member Board Risk Committee

Experience and Expertise

Director since 2009. Chairman of the Board Audit and Risk Committee from June 2010 to July 2012. Chairman of the Board since 31 July 2012 and Chairman of the Board Governance Committee since 31 July 2012. Grant brings strong corporate governance and financial management understanding to the Board as a result of 32 years' experience in the accounting profession advising medium and large family business coupled with post graduate development in taxation, finance, financial planning and corporate governance. He continues to advise family owned business in a range of industry sectors such as agriculture, engineering, mining services, medical and property. He also holds Directorships and committee roles with organisations within the private and public sector.

Interests in Shares: 1 redeemable preference share

Mr David Hamilton Christy

BEcon (UQ), DipFS, Cert of Real Estate Practices (Qld), MAICD

- Member Board Audit Committee
- Member Board Risk Committee

Experience and Expertise

Director since June 2011. Chairman of the Board Audit and Risk Committee from 31 July 2012 till 28 October 2014 and Member of the Board Governance Committee from 31 July 2012 till 27 January 2015. David held the position of Group Resources Manager with a large, government-owned energy generator until his retirement in September 2012. A qualified Economist, he has over 30-years' experience within the resources and trading sector, including responsibility for negotiating and managing multi-billion dollar long term contracts and relationships with national and multinational resource companies. A significant component of his professional activity involved spending time in regional towns to understand the manner in which commercial decisions affected local communities. Application of David's commercial experience contributes to the sound, long term focus and governance of bcu's operations.

In addition, having also been a small business owner and currently holding commercial real estate within regional communities. David is acutely aware of the issues and challenges facing bcu.

Interests in Shares: 1 redeemable preference share

Mr Geoffrey Keith Hardaker

JP

- Member Board Audit Committee
- Member Board Risk Committee
- Member Board Governance Committee

Experience and Expertise

Director since April 2011. Geoff is a self-employed businessman and Managing Director of Coffs Harbour Office Choice, Coffs Harbour. He has been involved in the office equipment industry for almost 40 years. Geoff sees the opportunity to serve on the Board of bcu as a privilege and has previously served as Chairman of the Westpac Rescue Helicopter, Coffs Harbour. Geoff previously worked in the real estate industry in Coffs Harbour and has owned and still owns commercial properties in the city.

Interests in Shares: 1 redeemable preference share

Mr John Owen Hoey

DipCM, FFIN, FAIM

- Deputy Chairman
- Chairman Board Audit Committee
- Chairman Board Risk Committee
- Member Board Governance Committee

Experience and Expertise

Director since 2010. Deputy Chairman from July 2012. Chairman of the Board Audit Committee from 28 October 2014 and Chairman of the Board Risk Committee from 28 October 2014. John has over 40-years' experience in the banking and finance industries with a wealth of knowledge spanning retail banking, commercial banking, insurance and financial services as well as broad experience in the area of customer service. Through his involvement with the Australian Institute of Management as a past Director and Chairman, John also brings insights into best practice corporate governance and the importance of attracting, developing and retaining talented people to enhance organisational capability.

Interests in Shares: 1 redeemable preference share

Non Executive Directors Cont.

Mr Sinclair Denis John Black

Dip Bus and Mkt, Dip Retail Bus Mgt, Dip Film

- Member Board Audit Committee
- Member Board Risk Committee

Experience and Expertise

Director since 27 January 2015. With more than 18 years of advertising, marketing and sales experience, Sinclair has a proven track record of marketing brands and businesses. He runs a small media/advertising business working with a large range of regional and national clients. Sinclair has a unique mix of strategic expertise, brand building and small business skills. Sinclair is also a Director of Village Sports Coffs Harbour, which runs three major community sporting events annually. Village Sports donates profits back to local charities and community groups. Sinclair has also held many community committee roles.

Interests in Shares: 1 redeemable preference share

Executive Directors

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

Mr Lyndon Allen Kingston

MCom, BBus, GradDipFin, GradDipBus, FFin, ACA

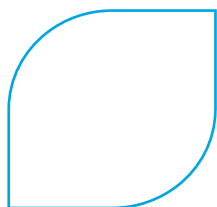
- Executive Director since 29 May 2012
- Company Secretary from 27 May 2016 - 26 October 2016

Experience and Expertise

Chief Executive since 2008 after having served as bcu's Chief Financial Officer. A Chartered Accountant and Fellow of the Financial Services Institute of Australasia with over 25 years' experience within the banking, finance and commercial sector. Lyndon came to bcu from the Australian Prudential Regulation Authority, the organisation responsible for overseeing the prudential operation of banks, credit unions, building societies, insurers and superannuation entities.

Interests in Shares: 1 redeemable preference share

All Directors have held their office from 1 July 2016 to the date of this report, unless otherwise stated.



Company Secretary

Company Secretaries at any time during the year or since the end of the year are:

Mr Lyndon Allen Kingston

MCom, BBus, GradDipFin, GradDipBus, FFin, ACA

- Company Secretary from 27 May 2016 - 26 October 2016

Ms Louise K Alford

LLB(Hons), BComm, FGIA FCIS

- Company secretary from 26 October 2016

Principal Activities

bcu is a company registered under the Corporations Act 2001 and is domiciled in Australia. The principal continuing activities during the year were the provision of financial products and services to members. No significant changes in the nature of these activities occurred during the year.

Review of Operations and Financial Position

bcu's profit for the year was \$9.114m compared to the previous year's profit of \$8.845m. The net profit increase of \$269k (or 3.05%) was predominantly due to an increase in net interest income of \$2.609m to \$44.463m as additional interest revenue was generated from an increased loan book.

Operational expenses including impairments increased \$1.617m (or 4.18%) from the previous year. This increase was primarily due to a \$3.192m increase in other expenses from the previous year which was a result of expenditure on improving systems and distribution channels for bcu's products. The operating expense to net interest and net non-interest income ratio (excluding impairment losses) increased to 65.60% from 64.85% the previous year.

The impairment loss on loans and advances increased by \$0.213m (or 9.79%). While there was a decrease of \$1.148m in specific provisions, prescribed provisions increased by \$0.869m and the collective provision increased by \$1.960m.

The increased income tax expense of \$0.743m was the result of the additional income before taxes that was generated during the year.

Total assets ended the year at \$1.650b representing an increase of \$127.335m (or 8.36%) for the year as loans and advances increased \$93.686m (or 7.17%), and cash and cash equivalents increased \$39.678m (or 34.04%).

Total liabilities ended the year at \$1.522b representing an increase of \$118.46m (or 8.44%) on the prior year. This is mainly due to the growth in deposits of \$118.873m (or 8.74%) to support the growth in assets.

Total equity increased by \$9.114m to \$128.437m (or 7.64%) and is attributable to the profits for the year.

Business Strategies And Prospects for Future Financial Years

bcu intends to continue to pursue the principal activities of providing financial products and services to members. bcu's activities expose it to a variety of risks, including: credit risk; liquidity risk; market risk; and operational risk. Management of these risks is critical to bcu's prospects for future financial years. Please refer to the notes to the financial statements for information on bcu's risk management policy and objectives. Further information about business strategies and prospects for future financial years has not been included in this report because disclosure of the information is likely to result in unreasonable prejudice to bcu.

Significant Changes in State of Affairs

Apart from disclosures elsewhere in this report, there were no significant changes in the state of affairs of bcu during the year.

Events Subsequent to the End of the Reporting Period

No other matters or circumstances have arisen since the end of the reporting period which have significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of bcu in subsequent financial years.

Dividends

No dividends have been paid or declared since the beginning of the financial year and no dividends have been recommended or provided for by bcu.

Options

No options over unissued shares or interests in bcu were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares have been issued as a result of the exercise of an option.

Proceedings

No person has applied for leave of the Court to bring proceedings on behalf of bcu or interfere in any proceedings to which bcu is a party for the purpose of taking responsibility on behalf of bcu for all or part of those proceedings. bcu was not a party to any such proceedings during the year.

Auditor's Independence

The auditor's independence declaration for the year ended 30 June 2017 forms part of this report and a copy of this declaration is attached.

Indemnification of Directors, Officers and Auditors

Insurance premiums have been paid to insure each of the Directors and Officers of bcu, against any 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 bcu. 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 auditor of bcu.

Environmental Regulation

bcu's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Rounding

The amounts contained in the financial statements and the Directors' Report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Parent Entity and Group are permitted to round to the nearest one thousand dollars (\$'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Regulatory Disclosures

The disclosures, required by Prudential Standard APS330 Public Disclosures, namely the common disclosures in Attachment A and the Regulatory Capital reconciliation, are available on bcu's website at www.bcu.com.au/resources.

Directors' Meetings

The number of meetings of Directors (including committee meetings) and the number of meetings attended by each Director during the financial year were:

Directors Name	Board		Board Governance Committee	
	Meeting Eligible to Attend	Meetings Attended	Meeting Eligible to Attend	Meetings Attended
G A Wallace	7	7	5	5
D H Christy	7	6	0	0
G K Hardaker	7	6	5	4
J O Hoey	7	7	5	5
S D J Black	7	7	0	0
L A Kingston	7	5	0	0

Directors Name	Board Audit Committee		Board Risk Committee	
	Meeting Eligible to Attend	Meetings Attended	Meeting Eligible to Attend	Meetings Attended
G A Wallace	4	4	4	4
D H Christy	4	3	4	3
G K Hardaker	4	3	4	3
J O Hoey	4	4	4	4
S D J Black	4	4	4	4
L A Kingston	0	0	0	0

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



G A Wallace
Chairman



J O Hoey
Deputy Chairman

25 October 2017
Brisbane



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF BANANACOAST
COMMUNITY CREDIT UNION LIMITED**

As lead auditor of Bananacoast Community Credit Union Ltd and its controlled entities for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Bananacoast Community Credit Union Ltd and the entities it controlled during the period.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 25 October 2017

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2017

	Note	2017	2016
		\$'000	\$'000
Interest income	6	73,201	71,657
Interest expense		(28,738)	(29,803)
Net interest income		44,463	41,854
Other income	6	9,437	9,416
Employment expense	7	(16,183)	(17,222)
Occupancy expense	7	(2,969)	(3,093)
Depreciation and amortisation expense	7	(1,181)	(1,823)
Impairment loss on loans	7	(2,591)	(2,360)
Other expenses	7	(17,362)	(14,170)
Profit before income tax		13,614	12,602
Income tax expenses		(4,500)	(3,757)
Profit for the year		9,114	8,845
Other comprehensive income, net of income tax expense		–	–
Total comprehensive income for the year		9,114	8,845

The accompanying notes form part of these statements.

Consolidated Statement of Financial Position As at 30 June 2017

	2017	2016
	\$'000	\$'000
Assets		
Cash and cash equivalents	156,224	116,546
Other receivables	2,982	3,471
Financial assets held to maturity	73,667	78,769
Loans and advances	1,400,219	1,306,532
Property, plant and equipment	10,158	11,113
Other financial assets	1,813	1,813
Deferred tax assets	5,096	4,301
Intangible assets	51	152
Other assets	252	430
Total Assets	1,650,462	1,523,127
Liabilities		
Deposits	1,479,735	1,360,862
Other payables	12,425	9,490
Income tax payable	1,700	1,194
Provisions	2,622	2,419
Borrowings	25,543	29,839
Total Liabilities	1,522,025	1,403,804
Net Assets	128,437	119,323
Equity		
Reserves	40,617	40,596
Retained earnings	87,820	78,727
Total Equity	128,437	119,323

The accompanying notes form part of these statements.

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2017

Consolidated	Member Bonus Shares	Redeemed Preference Shares	General Reserve	Reserve for Credit Losses	Revaluation Reserves	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	3,404	674	34,087	2,467	2,043	66,509	109,184
<i>Total comprehensive income for the year</i>							
Profit for the year	–	–	–	–	–	8,845	8,845
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	8,845	8,845
Transfer from retained earnings to redeemed preference share reserve	–	22	–	–	–	(22)	–
Asset revaluation reserve	–	–	–	–	1,303	–	1,303
Transfer from asset revaluation reserve to retained earnings	(3,395)	–	–	–	–	3,395	–
Total transfers	(3,395)	22	–	–	1,303	3,373	1,303
Member bonus shares redeemed	(9)	–	–	–	–	–	(9)
Total transactions with owners in their capacity as owners	(9)	–	–	–	–	–	(9)
Balance as at 30 June 2016	–	696	34,087	2,467	3,346	78,727	119,323
Balance as at 1 July 2016	–	696	34,087	2,467	3,346	78,727	119,323
<i>Total comprehensive income for the year</i>							
Profit for the year	–	–	–	–	–	9,114	9,114
Total comprehensive income for the year	–	–	–	–	–	9,114	9,114
Transfer from retained earnings to redeemed preference share reserve	–	21	–	–	–	(21)	–
Total transfers	–	21	–	–	–	(21)	–
Balance as at 30 June 2017	–	717	34,087	2,467	3,346	87,820	128,437

The accompanying notes form part of these statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2017

	2017	2016
	\$'000	\$'000
Cash flows from operating activities		
Interest received	73,376	71,862
Dividends received	51	138
Fees and commissions received	9,611	8,218
Interest paid	(28,738)	(31,364)
Payments to suppliers and employees	(33,040)	(32,962)
Net movement in loans and advances	(96,332)	(104,207)
Net movement in deposits	118,873	57,856
Income taxes paid	(4,788)	(3,803)
Net cash provided by / (used in) operating activities	39,011	(34,262)
Cash flows from investing activities		
Payments for property, plant and equipment	(139)	(1,442)
Proceeds from sale of property, plant and equipment	–	5
Payments for non-dealing securities	5,102	(12,811)
Net cash provided by / (used in) investing activities	4,963	(14,248)
Cash flows from financing activities		
Redemption of member bonus shares	–	(9)
Repayment of borrowings	–	(5,500)
Net movement in securitised loans	(4,296)	(115)
Net cash provided by / (used in) financing activities	(4,296)	(5,624)
Net increase / (decrease) in cash held	39,678	(54,134)
Cash at the beginning of the financial year	116,546	170,680
Cash at the end of the financial year	156,224	116,546

The accompanying notes form part of these statements.

Notes to and forming part of the Concise Financial Statements For the Year Ended 30 June 2017

The concise financial report was authorised for issue on 13 October 2017 by the Board of Directors.

NOTE 1:

Basis of preparation of the concise financial report

The concise financial report relates to the consolidated entity consisting of Bananacoast Community Credit Union Ltd (bcu) and Ariera Trust for the year ended 30 June 2017. The consolidated entity operates within the finance industry within Australia and its principal continuing activities during the year comprised the provision of financial products and services to members.

The concise financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 Concise Financial Reports. bcu is a for profit mutual entity.

The concise financial report has been prepared on an accruals basis and is based on historical costs except for land and buildings, investment property, derivatives and financial assets available for sale that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged.

Accounting policies have been consistently applied to all years presented, unless otherwise stated. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. Note 1 of the full financial report details all accounting policies.

The presentation currency of the concise financial report is Australian Dollars.

The amounts contained in the financial statements and the Directors' Report have been rounded to the nearest one thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Parent Entity and Group are permitted to round to the nearest one thousand dollars (\$'000) for all amounts except prescribed disclosures that are shown in whole dollars.

NOTE 2:

Statement of compliance

The full financial report complies with all Australian equivalents to International Financial Reporting Standards in the entirety.

NOTE 3:

Accounting estimates and judgements

Management has made accounting estimates and judgements when applying bcu's accounting policies. Information about the significant accounting estimates and judgements is detailed in Note 1 of the full financial report. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on bcu and that are believed to be reasonable under the circumstances.

NOTE 4:

Dividends and options

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for. No options over issued shares were granted during or since the end of the financial year and there were no options outstanding at the date of the concise financial report.

Note 5:

Events subsequent to the end of the reporting date

No circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of bcu, the results of these operations, or the state of the affairs of bcu in future financial years.

NOTE 6:

Income

	2017	2016
	\$'000	\$'000
Interest Income	73,201	71,657
Non-Interest Income		
Divided revenue	51	138
Transaction and account fees	4,516	4,675
Loan fees and other commissions	4,836	4,535
Rental income	55	47
Other	(21)	21
Total Non-interest Income	9,437	9,416
Total Income	82,638	81,073

NOTE 7:

Profit Before Income Tax

Profit before income tax has been determined after the following items:

Expenses

Salaries, wages and other personnel costs	15,193	16,107
Superannuation expense (defined contribution)	990	1,115
Net impairment loss on loans and receivables	2,591	2,360
General and administration expenses	9,753	8,645
Fees and commission expenses	7,429	5,531
Occupancy expenses		
Minimum lease payments	1,775	2,052
Utilities	461	460
Others	733	581
Depreciation of plant and equipment	572	868
Amortisation of computer software	105	258
Amortisation of leasehold improvements	398	498
Net loss on disposal of property, plant and equipment	180	(6)
Depreciation of buildings	106	199

Notes to and forming part of the Concise Financial Statements For the Year Ended 30 June 2017

NOTE 8:

Prudential remuneration disclosure

The purpose of this report is to make available to the general public quantitative and qualitative information about remuneration practices for "senior management" as required under the Australian Prudential Regulation Authority (APRA) prudential standard APS 330 Public Disclosure. This has been completed in accordance with the Remuneration Policy of Bananacoast Community Credit Union (bcu). The period reported refers to the financial year ended 30 June 2017.

Oversight of remuneration

The Board has established a Board Governance Committee (the Committee), which is comprised of three independent non-executive directors. The Board may also appoint outside experts to the Committee if it believes it is desirable to do so. One of the roles of the Committee is to assist the Board to develop, oversee, implement and review bcu's Remuneration Policy. The Committee does not have decision-making powers but acts on the direction of, and makes recommendations to the Board. The Board retains overall and ultimate responsibility for remuneration. Under its Charter, the Committee has the following specific responsibilities:

- Make annual recommendations to the Board, in respect to the provisions of the Remuneration Policy including confirmation that it has been designed to encourage behaviour that supports bcu's long term financial soundness and the risk management framework of the institution, and complies with the principles set out in CPS 510;
- Make recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of the categories of persons covered by the Remuneration Policy;
- Make annual recommendations to the Board, consistent with the Remuneration Policy, on the remuneration structure applicable to the workforce and by exception the remuneration of any staff member outside the approved framework;

- Conduct annual reviews of the Remuneration Policy including assessment of the policy's effectiveness and compliance with Prudential Standard CPS 510;
- Review and recommend the remuneration framework for directors, the CEO and Senior Managers;
- Review and recommend remuneration policies and practices for directors, the CEO and senior managers of bcu including remuneration philosophy and structure, performance incentives and superannuation;
- Review and make recommendations to the board regarding policies and decisions made under policies regarding incentive and performance payments to the CEO and senior management of bcu;
- Review the company's reporting of its remuneration policies and practices; and
- Carry out any other functions delegated to the Committee from the Board.

During the financial year, the Committee has used the services of McGuirk Management Consultants as remuneration experts for advice on such things as market based remuneration ranges and positioning and market movements in remuneration ranges.

Scope

The Remuneration Policy applies to all senior management positions, including the Chief Risk Officer "Executive Managers" also called the ("Executive Management Team"), in accordance with APS 510.

For the purposes of APS 330, only the Executive Management Team (comprising six managers) is considered as "Senior Managers". No employees are considered material risk takers.

Design and structure of remuneration

The objectives of bcu's remuneration arrangements are to:

- attract and retain capable and talented managers and staff to drive growth in an increasingly competitive environment;
- provide incentives to managers and staff for outstanding performance in line with prudent company management and effective corporate governance;
- in relation to performance-based remuneration, to encourage behaviour that supports bcu's long term financial soundness and risk management framework, including supporting an appropriate risk culture;
- ensure that the independence of Risk and Control personnel in the performance of their functions is not compromised; and
- ensure compliance with corporate governance requirements including CPS 510 and CPS 520.

It is bcu's policy to review the Remuneration Policy annually by the Committee.

Remuneration of positions covered by the Remuneration Policy consists of fixed and performance-based components. The fixed components consist of base salary, compulsory superannuation benefits, and other fringe benefits. Staff can elect to salary sacrifice further benefits.

The performance-based component comprises short term and long term benefits, which are variable and are paid annually.

For Senior Managers, short term and long term benefits are cash performance bonuses based on demonstrated leadership competencies, the achievement of financial parameters as well as delivering on role-specific key result areas which are consistent with bcu's strategic plan and provide for a degree of stretch as recommended by the Committee and approved by the Board.

The Board has the discretion to adjust the performance-based components of remuneration to zero if necessary due to significant adverse, unexpected or unintended consequences affecting bcu, to protect the financial soundness of bcu, or for any other reason.

Performance based remuneration for all Senior Managers takes the form of cash payments only. bcu does not provide equity or equity-linked forms of remuneration.

Focus on risk management

As part of the fixed remuneration provided to Senior Managers, performance is measured on an annual basis against key result areas including:

- Effective and efficient risk management and control;
- Compliance with relevant acts, regulations, internal and external standards;
- Acting in accordance with company values; and
- Delivery of expected outcomes or contribution from their area of functional oversight.

For the 2016/2017 financial year, no incentive was payable if Net Profit before Tax was below target and/or bcu did not demonstrate satisfactory compliance with Risk and Compliance KRA obligations in Senior Managers individual incentive score cards.

Risk	Measure
Capital	Capital adequacy ratio
Credit	Prescribed and specific provisions for doubtful debts Arrears Geographic, product and industry exposures Credit risk review findings
Market	Net interest income at risk Value at risk as a percentage of capital
Liquidity	High quality liquidity asset ratio
Operational	Number and category of disruption to customer services Number and category of operational losses Customer feedback Turnover and absenteeism
Compliance	Adherence to APRA requirements Internal and external audit findings Credit risk review findings

These measures are intended to ensure a focus by all Senior Managers on risk management and quality.

Notes to and forming part of the Concise Financial Statements For the Year Ended 30 June 2017

Performance based assessment

The performance of staff, including Senior Management, is reviewed annually. Individual employee performance is assessed against key performance indicators for the role and established benchmarks for behavioural competencies. Consideration is also given to other significant factors affecting performance, if applicable.

Key performance indicators are linked to or aligned with the organisation's strategic and financial objectives, risk appetite statement, and policy requirements where possible. Behavioural competencies outline the level of skill, capability and proficiency required by an employee at various levels within the organisation. Both indicators provide clear guidance on the performance expectations of staff.

Review of remuneration

The review of remuneration commences with a review of the Australian Bureau of Statistics Wages Price index and McGuirks Management Consultants Pty Ltd "Remuneration Survey".

Consideration is also given to the organisational performance of bcu, general economic indicators and inflation. Following the compilation of this data, remuneration levels for Senior Managers (including the Chief Risk Officer) are considered by the Committee with recommendations made to the Board.

Quantitative disclosures

Quantitative disclosures made here relate to all staff identified as senior managers in accordance with APS 330, being the Senior Managers of bcu.

Remuneration

Six Senior Managers were paid variable remuneration in terms of APS 330 during the 2017 financial year (Seven – 2016). There were no guaranteed bonuses or sign-on awards made during the financial year.

Deferred remuneration was allocated to Four Senior Managers during 2017 (Nil – 2016) and no implicit or explicit adjustments to the deferred remuneration were made.

	2017		2016	
	\$'000		\$'000	
	Unrestricted	Deferred	Unrestricted	Deferred
<i>Fixed remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	1,918,067	–	1,677,945	–
Shares and share-linked instruments	–	–	–	–
Other	–	–	–	–
<i>Discretionary variable remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	108,426	174,793	62,000	–
Shares and share-linked instruments	–	–	–	–
Other	–	–	–	–

Directors' Declaration

The Directors of Bananacoast Community Union Ltd declare that:

- (a) The concise financial report of the entity for the year ended 30 June 2017 is in accordance with Accounting Standard AASB 1039 Concise Financial Reports; and
- (b) The financial statements and specific disclosures included in the concise financial report have been derived from and are consistent with the full financial report for the year end 30 June 2017.

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



G A Wallace
Chairman

25 October 2017



J O Hoey
Deputy Chairman

25 October 2017



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INDEPENDENT AUDITOR'S REPORT

To the members of Bananacoast Community Credit Union Ltd

Report on the Concise Financial Report

Opinion

We have audited the concise financial report of Bananacoast Community Credit Union Ltd (the Company) and its subsidiaries (the Group), which comprises the statements of financial position as at 30 June 2017, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and related notes, derived from the financial report of Bananacoast Community Credit Union Ltd for the year 30 June 2017 and the discussion and analysis.

In our opinion, the accompanying concise financial report including the discussion and analysis of Bananacoast Community Credit Union Ltd complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the concise 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.

Concise financial report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards in the preparation of the financial report. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 25 October 2017.

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Responsibility of the Director's for the concise financial report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the concise financial report.

Auditor's responsibility for the audit of the concise financial report

Our responsibility is to express an opinion on whether the concise financial report complies in all material respects, with AASB 1039 *Concise Financial Reports* of the based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'P A Gallagher', is written over a small, stylized 'BDO' logo.

P A Gallagher
Director

Brisbane, 25 October 2017

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Notes

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.





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