

Annual Report 2018/19



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Registered Name: Bananacoast Community Credit Union Ltd

Registered Office: Level 3 Coffs Harbour Shopping Centre
31-61 Harbour Drive, Coffs Harbour NSW 2450

Telephone: 1300 228 228

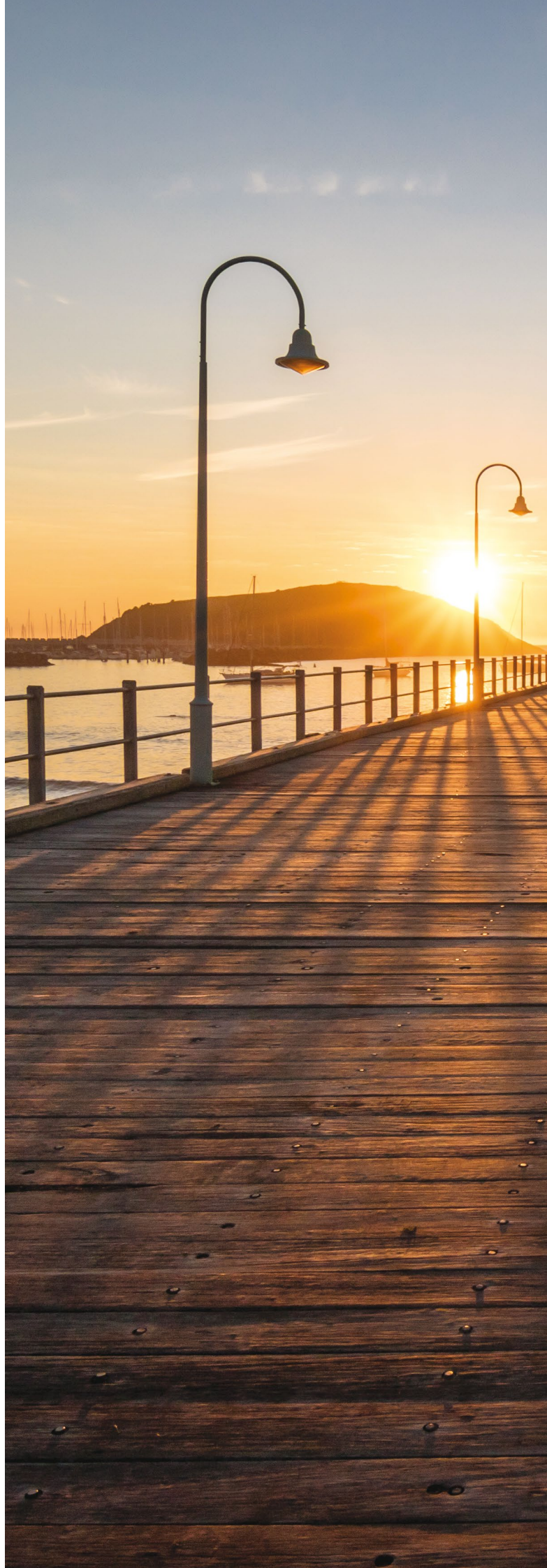
Internet: www.bcu.com.au

ABN: 50 087 649 750

AFSL: 241077

Australian Credit Licence: 241077

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







Chairman's message

Approximately
200
STAFF

21
STORES

Approximately
\$1.7b
TOTAL ASSETS

Approximately
55,000
MEMBERS



On behalf of my colleagues on the bcu Board, I am pleased to present the Chairman's message.

For almost 50 years, bcu has taken pride in providing a local and realistic banking alternative. This mindset, along with the hard work and dedication of our staff has enabled us to grow bcu to what we have today, a local banking institution owned by our members with a total asset base of approximately \$1.7b.

As I'm sure you are aware we are living in rapidly changing times, and the financial services industry is no different. As each year goes by we face fierce competition from larger organisations, as well as new entrants to the market. Expanded competition, plus the ever increasing cost of operating a compliant, secure and financially viable credit union is likely to result in bcu's current sound financial position facing considerable challenges in the future. This may impact our ability to continue providing market leading services at competitive price levels to our members. I firmly believe that greater economies of scale are required to ensure a sustainable future for bcu.

The Board are of the view that despite bcu's historical sound profitability, merging with another member-owned banking organisation in the future is a necessary first step towards achieving the scale we require. The Board believes that P&N Bank is the right merger partner. A merger with P&N Bank will create a member-owned banking group with the resources to better position itself to meet the medium term challenges ahead and deliver attractive benefits for bcu members and our staff.

With the upcoming merger vote fast approaching, you will have recently received your Member Information Booklet which outlines the benefits and risks of our proposed merger with P&N Bank. The bcu Board has determined that the merger is in the best interests of bcu members, and unanimously recommends that bcu members vote in favour of the merger.



Over the 2018/19 financial year, bcu has risen to industry challenges whilst continuing to enhance the services we provide; we have improved member experience with upgraded stores and increased banking services in some areas, implemented new user technologies, and placed additional focus on delivering successful events and sponsorships to our communities.

I have enjoyed travelling throughout our heritage regions, meeting and getting to know members, staff and our communities. It has been a challenging and rewarding year and this would not have been made possible without the support of our staff and members.

In closing I would like to take this opportunity to thank my fellow directors for their support and contributions over the past 12 months and congratulate Chief Executive Officer, Alan Butler for leading bcu to another successful year. Financial results were strong despite significant internal and external challenges.

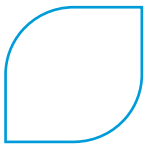
The proposed merger with P&N Bank provides an excellent opportunity in the upcoming financial year to enhance our position as a leading member owned banking institution, with a strong community focus.



Steve Targett | Chairman



CEO's message



As another financial year passes, we would like to thank all of our members and staff for their support during the year.

Our members have played an integral part in the development and growth of this organisation, shaping our journey throughout the years. The passion our members share for both bcu and each region we operate in are second to none, and in turn our commitment to our members and staff remains at the forefront of our organisation and decision making.

To ensure that our members receive the same exceptional service across each region, April 2019 saw the completion of store cash conversions to our Maroochydore and South Brisbane locations. This upgrade not only allowed for our members to receive full banking services in both locations but provided further employment in each region.

“

In addition to the improvements in our member experience, we also invested heavily in a wide range of community initiatives across events and sponsorships, ranging from major events such as the bcu Coffs TRI to localised sponsorships of junior soccer teams and everything in between.

As it is known, the Australian financial services industry continues to face significant political and economic challenges. The implications of the Australian Prudential Regulatory Authorities (APRA) actions to slow investment and interest only lending in 2017 impacted this financial year, along with this year's Royal Commission into Banking, Superannuation and Financial Services.

These challenges are likely to continue into the future putting increasing pressure on our profits and making our potential merger with P&N Bank a key element of our ongoing strategy of offering outstanding member owned banking in our regions.

It is pleasing to have had a number of staff members reach significant employment milestones over the past financial year, which is a true testament to the commitment and passion they share in this organisation. Along with our staff reaching their milestones, we have welcomed a number of new staff to the bcu team, each bringing an element of innovation, experience and enthusiasm to the organisation.

Our goal to becoming an employer of choice is well underway as we continually invest in our staff learning and development through a range of approaches such as external courses specific to staff career progression and internal courses to improve our staff knowledge and skillset. This will continue to be a work in progress over the next financial year. Staff satisfaction has continued to remain a strong focus with direct investments being made to improve the working environment such as store and technological upgrades, the relocation of our head office to a new and modern location and an enhancement of our staff benefits offer.

Overall, the 2018/19 financial year has been tremendous in both progression and growth for bcu. I am incredibly proud to have been a part of this journey and would like to thank staff and members alike for showing their support and dedication to bcu. We are looking forward to seeing all the positive changes next year will bring and how bcu will continue to provide its members with award-winning products and exceptional local service for many years to come.



Alan Butler | CEO

Our commitment to members



bcu Coffs Central store and Head Office



As the competitiveness and complexity of the banking landscape increases we face tough competition and regulatory changes. It is important for us to continually look for new ways to enhance our member services. Throughout the year we have introduced some incredible changes to improve your banking experience through investing in greater ways to access your money and our staff.

Store upgrades

bcu remains committed to our store network, unlike other competitors in our regions. Our store network remains the core of our service delivery system and we are pleased to provide our members with upgrades across our network, such as our Park Avenue store which was relocated to the new Coffs Central building in early July, 2018 allowing bcu to deliver an upgraded, more convenient and central banking location.

Recognising the need to provide our member base with full banking services, our Maroochydore and South Brisbane cashless stores underwent renovations to provide our members with a full service operating store. Events were held in both regions with local businesses, members and staff invited to celebrate. Both stores were fully functioning by April, 2019. Further renovations are scheduled for mid to late 2019 for a number of stores. Our Toormina store has moved to a new location and our Woolgoolga store re-opened following extensive renovations in July 2019.

bcu Head Office

Following the retail store move to Coffs Central, the new building is now the location for our Corporate Head Office which is already becoming an established landmark in the town. The new corporate office included the integration of teams based at our previous Northside office and Park Beach road site. The relocation to the Coffs Harbour CBD highlights bcu's long term commitment to the region, which also provides bcu with the opportunity for future growth with additional space now available to do so.



Fraud and cyber security

Establishing effective cyber security incident detection and response capabilities is fundamental to all financial services institutions to ensure that members' money and data is secure. This year we have committed significant budget to make extensive upgrades and enhancements to existing bcu IT infrastructure and communications networks. This is an area that we will continue to invest in significantly over the coming years.



Mobile lenders

To meet the change in modern society, bcu recognised that not all of our members can get to our stores during normal banking hours. As a result of this, we have introduced a new mobile lending service to ensure our members can receive our exceptional service at their convenience.

Call centre technology

In November 2018, bcu made improvements to our call centre technology implementing the latest cloud based software. This has helped us to dramatically improve how many calls we can answer (over 95% since introduction), with user friendly technology providing a pleasant and welcoming experience. The new software presented a wide range of new features such as the option to receive a call back and advising of any expected wait times.

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95% of calls
answered

Our community focus



Surf life saving sponsorships



As the largest volunteer initiative in Australia, bcu proudly supports the efforts of our Surf Life Savers along our coast, with sponsorships in Sawtell Surf Life Saving and the Maroochydore Surf Life Saving Nippers program.

By providing our clubs with much needed funding and equipment, we are able to assist with the development of this program and give back to an important community initiative.

The Nippers program provides an opportunity to set an educational and social pathway for the youth of today, whilst teaching them valuable skills that could save their life, and prepare them to work as part of a team to achieve their goals.



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One great example of this pathway is bcu Brand Ambassador, Tiarnee Massie, who has come up through the Nippers program to compete at an international level.

Community sponsorships



At bcu, minor and major sponsorships are important to both the growth of the organisation and the community spirit that it evokes.

Supporting local organisations has been infused in our credit union since the beginning. In the last year you will have witnessed bcu's contributions throughout our community, supporting cultural events like the Coffs Harbour City Orchestra, Jacaranda Festival and Blues and Berries Festival or contributing to our local regional shows such as Macksville Show, Macksville ProAg, along with the Tweed Valley and the North Coast National Shows — the heartbeat of each town.

Our community sponsorships include:

- ☐ Macksville Show
- ☐ Disabled Surfers Association in Woolgoolga
- ☐ Macksville Ride Around the River
- ☐ Bucks for the Bush — Community Partnership Initiative
- ☐ Coffs Harbour City Orchestra
- ☐ Tweed Valley Banana Festival
- ☐ Blues and Berries Festival
- ☐ Nambucca Longboard Festival
- ☐ North Coast National Show
- ☐ Jacaranda Festival



Charities

Along with providing sponsorship opportunities for local organisations, we understand the importance of supporting our not-for-profit charity groups.

This year, our organisation and staff have shown great support to a number of initiatives such as the Cancer Council's — Australia's Biggest Morning Tea, "Bucks for the Bush" a community partnership which assisted in the aid of our drought stricken farmers, the Men's Resource Centre and the Warrina Women and Children's refuge "Homeless for a Night" sleep out which saw a number of our staff members brace the freezing temperatures and spend the night outside. Late 2018, bcu partnered with Southern Cross Austereo and Salvation Army for the Christmas Toy Drive, providing a number of children with some great gifts for Christmas.



2019 Coffs TRI

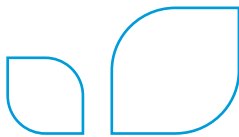
Since its inception in 2013, bcu has taken great pride in being the Coffs TRI events major sponsor. The 2019 bcu Coffs TRI event brought in 4,046 spectators and competitors to enjoy our beautiful Coffs Harbour Jetty foreshore; the event once again, proving to be a huge success.

Although weather conditions attempted to dampen spirits over the two days, there was no stopping our entrants as they flocked to the start lines with great enthusiasm to compete in their events. Saturday showcased a wide range of athletes competing in the Kids TRI and Enticer events. This was followed by the Standard distance event on Sunday which saw our competitors eager to complete the course; exhibiting their dedication and commitment to the sport.

We would like to give special mention to our devoted staff, who have continually upheld the bcu volunteer and competitor legacy of the bcu Coffs TRI for the past seven years. The sea of blue bcu volunteers lined the beach, course and marquees, cheering and encouraging those that were competing. They were handing our branded merchandise to spectators and attendees and providing words of encouragement and praise at the finish line. The atmosphere over the two days was incredible, a true testament to the community spirit of our region.

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The bcu Coffs TRI brings a wide array of positive benefits for the community, showcasing the region and supporting the local economy with many competitors and spectators travelling from outside of the region.





Executive team



Alan Butler

Chief Executive Officer

Alan has been with bcu for eight years as part of the executive team. Alan has held roles in Credit Management and Strategy and related roles, including Mergers and Acquisitions and Capital Raisings with regional banks. He is a member of CPA Australia and AICD, holds a Bachelor of Business, Masters of Business Law and Graduate Certificate of Business — Banking.



Jan Kotze

Chief Financial Officer

Jan has been with bcu for two years being previously the General Manager of Finance and Performance. Jan has held roles within the financial services industry spanning 21 years previously working for Citi, Barclays Bank Africa and KPMG. Jan holds a post graduate degree in Accounting, is a fellow of ACCA, a member of CA ANZ and a charter holder of the Institute of Chartered Analysts (CFA).



Ciara Gilleece

Company Secretary

Ciara has been the bcu Company Secretary since 2017 and is a Fellow of the Governance Institute of Australia / Institute of Chartered Secretaries (UK and Ireland) and is a Member of AICD. Prior to her role in bcu Ciara worked in Australia and internationally as a Company Secretary in private practice, financial and professional services and for large brand entities.



William Hill

Chief Operations Officer

William has been with bcu for two years in an executive role overseeing Operations including IT, Property, Project Office and Administration Support. William previously held a senior role with Woolworths Limited managing a variety of business units, including a lead role in a significant enterprise wide IT Project. William holds a Bachelor of Business Administration.



Brendon Comrie

Chief Risk Officer

Brendon was appointed as bcu's Chief Risk Officer in November 2018. He has more than 20 years banking experience, having held senior roles within global banks, regional banks and the mutual sector. Brendon's primary expertise is in Risk Management, Compliance, Credit, Corporate Governance, Mergers and Acquisitions and Strategy. Brendon holds a BSoc Sci and an LLB degree.



Mark Attwood

Chief Credit Officer

Mark has been with bcu for 14 years starting as Head of Credit, then moving to an executive level role responsible for; Credit Approvals, Policy, Analytics, Collections/ Recoveries and Credit Risk Review/ Hindsighting. Mark is a member of the Credit and Executive Governance Committees and has held positions in Asset and Liability Committee (ALCO) and the Chairman position for the Credit Committee. Mark is recognised as an ASIC Responsible Manager under the National Credit Act 2010-2015 and 2017; Associate of the London Institute of Banking and Finance (formerly the Chartered Institute of Bankers).



Callum Pritchard

General Manager — Sales and Service

Callum started with bcu in mid-2017 and brings significant experience to bcu with 20+ years' experience in the financial markets/services. He has extensive sales, trading and management experience and has held senior management roles for institutional banks in Hong Kong, Japan, New York, London and Australia. Callum holds a Bachelor of Commerce, Bachelor of Laws, Masters of Laws and Graduate Diploma in Legal Practice along with a Diploma of Financial Planning. Callum is a MAICD.



Lindsay Johnston

General Manager — Strategy

Lindsay has held both Executive and Board roles within the financial and fintech sector for over 20 years. Lindsay has a wealth of retail banking experience in a variety of Executive positions and is a member of the ALCO and Credit Committee. Lindsay holds a Master of Business Administration, a Bachelor of Business, and is a MAICD.



Richard York

General Manager — Marketing

Richard brings over 20 years Marketing and Customer Service experience to the Executive Management Team, and holds professional qualifications in Marketing and Economics. Prior to his role at bcu, Richard held senior marketing positions in Australia, UK and Ireland, across banking and finance, travel, telecommunications and FMCG.



Richard McShane

Acting General Manager — Products and Marketing

Richard has been working in the financial services sector for over 17 years across Retail Banking, General Insurance and Payments. Working in the UK and Australia he has a broad skill set including Product Development, Marketing, Strategy and People Development. Richard is a MAICD.



Board of directors



Mr Stephen (Steve) Craig Targett

FAICD, MAIEx (Diploma)

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

Experience and expertise

Steve joined the bcu Board on 25 May 2018 and was elected Chairman from 1 September 2018. His key responsibilities on the Board include being the Chairman of the Governance Committee and a member of both the Audit and Risk Committees. In previous roles, Steve was the CEO of RACQ Bank and led a world first merger of a Mutual Bank and Auto Club, he also successfully launched the new member-owned RACQ Bank in September, 2017. He has held large global roles running bank divisions, where he reported directly to the CEOs of National Australia Bank, Lloyds TSB and ANZ Bank. Internationally, Steve held numerous roles, including CEO positions at National Australia Group, Europe and ANZ Japan and held Directorships at Clydesdale Bank, Yorkshire Bank, Northern Bank, National Irish Bank, and National Bank of New Zealand. He is the only Australian to be elected to the Board of the New York based International Swaps and Derivatives Association and was a previous Chair of the Australian Financial Markets Association. More recently, Steve was Deputy Chair of P&Cs Queensland, and a Director of Cuscal and TAS Managed Services. Steve's career is defined by a focus on financial services and he strongly believes in member owned banking.



Mr Geoffrey (Geoff) Keith Hardaker

JP

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

Experience and expertise

Geoff has been a bcu Director since 2011. His key Board responsibilities include being the Deputy Chairman and a member of the Governance, Audit and Risk Committees. Geoff is a self-employed businessman and Managing Director of Office Choice, Coffs Harbour. 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 still owns commercial properties in the city.



Mr Michael (Mike) Wayne Gould

B Eng (Hons), GDEME, AMP173, CPEng, FAICD

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

Experience and expertise

Mike returned to the bcu Board on 13 February 2018 after an initial 18-month tenure in 2013-14. His key Board responsibilities include being the Chairman of the Audit Committee and a member of the Governance and Risk Committees. He brings to the Board more than 35 years' experience in private sector commercial and property projects throughout Australia. Mike and his wife Janet both grew up in Inverell, before attending University in Brisbane. He has a strong and longstanding connection and understanding of rural and regional community issues and has been involved in many projects in these communities. This background provides Mike with a strong platform with which to understand the unique requirements and aspirations of bcu's organisation and members. Mike is highly skilled at strategic planning, design, procurement, delivery and asset performance for public and private infrastructure. He brings experience in the building and construction industry to the role, along with a wealth of corporate governance knowledge from his board and advisory roles. His strategic knowledge has been of great benefit to the bcu Board, and he is looking forward to continuing to support bcu's growth and sustainability.



Mr Sinclair Denis John Black

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

- ☐ Director
- ☐ Member Board Audit Committee
- ☐ Member Board Risk Committee

Experience and expertise

Sinclair has been a bcu Director since 27 January 2015. His key Board responsibilities include membership of the Audit and Risk Committees. With more than 20 years of advertising, marketing and sales experience, Sinclair has a proven track record of strategic expertise, brand building and small business skills. He established an advertising and television production company - Coffs Harbour's first digital media agency – and employs a team of local media professionals who produce marketing campaigns, television commercials, corporate videos and websites for a range of national and local clients including bcu. Sinclair is a seasoned business leader in small, particularly innovative enterprises and is a Director of Village Sports, Coffs Harbour. Village Sports run three major annual community sporting events on the NSW Coast and donates profits back to local charities and community groups, Sinclair has also held many community committee roles.



Ms Louise Clarke

BBus

- ☐ Director
- ☐ Chair Board Risk Committee
- ☐ Member Board Audit Committee

Experience and expertise

Louise joined the bcu Board on 19 November 2018. Her key Board responsibilities include being the Chair of the Risk Committee and a member of the Audit Committee. Louise is a senior leader who brings over 30 years' experience from the financial services sector working with companies State Street Bank and Trust Company, Schroders Australia and Ernst and Young. Louise's early career focussed on operational management roles, and in later years in Senior Executive positions in Australia and Asia. As the COO for State Street Bank in Sydney, Louise worked with local regulators implementing frameworks around ethical values, risk and culture. Louise's passion for developing people and building teams around culture has led her into executive and leadership coaching. In this role Louise works with leaders and teams to support organisational change. Louise has held Non-Executive director roles with the Australian Payments Clearing Association and the Australian Financial Markets Operations Association.



Mr Gary Humphreys

GAICD, AMP173

- ☐ Director
- ☐ Member Board Audit Committee
- ☐ Member Board Risk Committee

Experience and expertise

Gary joined the bcu Board on 19 November 2018. His key Board responsibilities include being a member of both the Risk and Audit Committees. In previous roles Gary was the Deputy CEO and Chief Operating Officer of Essential Energy (Australia's largest electricity distribution network). Prior to this Gary was a senior Executive with Country Energy and Advance Energy, both electricity companies based in regional and rural NSW. Before joining the electricity industry he had ten years in the banking industry with the State Bank of NSW and Colonial. Gary brings over 20 years of experience operating large corporations with a proven track record in the areas of corporate governance, strategic planning, financial management and customer service. Gary lives in Port Macquarie and is an active member of the local community, and in particular local sporting associations. He also holds several other Directorship roles including the non-for-profit organisation Cancer Patients' Assistance Society of NSW.

An aerial photograph of a tropical bay. The water is a vibrant turquoise color, revealing a rocky seabed. A small white boat with two people is anchored in the center of the bay. The shoreline is composed of dark, jagged rocks and patches of green vegetation. The sky is not visible, as the image is a full-page aerial shot.

Concise financial report



For the Year Ended 30 June 2019

The concise financial report is an extract from the full financial report for the year ended 30 June 2019. 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 3222 and a copy will be sent to you.

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Directors' Report 2018-2019

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 2019.

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

Mr Wallace resigned from the Board on 30 November 2018.

Interests in shares

1 redeemable preference share

Mr Stephen (Steve) Craig Targett

FAICD, MAIEx (Diploma)

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

Experience and expertise

Steve joined the bcu Board on 25 May 2018 and was elected Chairman from 1 September 2018. His key responsibilities on the Board include being the Chairman of the Governance Committee and a member of both the Audit and Risk Committees. In previous roles, Steve was the CEO of RACQ Bank and led a world first merger of a Mutual Bank and Auto Club, he also successfully launched the new member-owned RACQ Bank in September, 2017. He has held large global roles running bank divisions, where he reported directly to the CEOs of National Australia Bank, Lloyds TSB and ANZ Bank. Internationally, Steve held numerous roles, including CEO positions at National Australia Group, Europe and ANZ Japan and held Directorships at Clydesdale Bank, Yorkshire Bank, Northern Bank, National Irish Bank, and National Bank of New Zealand. He is the only Australian to be elected to the Board of the New York based International Swaps and Derivatives Association and was a previous Chair of the Australian Financial Markets Association. More recently, Steve was Deputy Chair of P&Cs Queensland, and a Director of Cuscal and TAS Managed Services. Steve's career is defined by a focus on financial services and he strongly believes in member owned banking.

Interests in shares

1 redeemable preference share

Mr Geoffrey (Geoff)

Keith Hardaker

JP

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

Experience and expertise

Geoff has been a bcu Director since 2011. His key Board responsibilities include being the Deputy Chairman and a member of the Governance, Audit and Risk Committees. Geoff is a self-employed businessman and Managing Director of Office Choice, Coffs Harbour. 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 still owns commercial properties in the city.

Interests in shares

1 redeemable preference share



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Interests in shares

1 redeemable preference share

Mr Michael (Mike) Wayne Gould

B Eng (Hons), GDEME, AMP173,
CPEng, FAICD

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Experience and expertise

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Interests in shares

1 redeemable preference share

Ms Louise Clarke

BBus

- ☐ Director
- ☐ Chair Board Risk Committee
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Interests in shares

1 redeemable preference share

Mr Gary Humphreys

GAICD, AMP173

- ☐ Director
- ☐ Member Board Audit Committee
- ☐ Member Board Risk Committee

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Interests in shares

1 redeemable preference share

All Directors have held their office from 1 July 2018 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:

Ms Ciara Gilleece

FGIA, FCIS, MAICD

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 \$10.539m compared to the previous year's profit of \$10.695m. The net profit decrease of \$0.160m was due to a decrease in net interest income of \$1.414m to \$45.617m as the lending book contracted during the year that featured a tough and declining housing market. The effect of this was countered by a reduction in impairment costs.

Operational expenses (excluding impairments on loans and receivables) increased \$2.804m (or 7%), this was primarily due to an increase in employment costs, \$1.488m and the occupation of bcu's new Head Office in Coffs Harbour, \$0.974m. Depreciation increased resulting from additional equipment to fit the Head Office.

The operating expense to net interest and net non-interest income ratio (excluding impairment losses) increased to 77.74% from 68.16% the previous year.

The credit impairment loss on loans and advances was reversed under the new AASB9 Accounting Standard and added \$2.300m to profit.

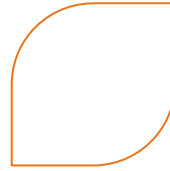
Tax expenses reduced to \$4.161m as profit before tax declined.

Total assets ended the year relatively flat at \$1.703b.

Total liabilities ended the year at \$1.552b representing a decrease of \$9.543m on the prior year. This is due to the decline in deposits of \$12.024m and as the growth in retained earnings assisted to fund the assets.

Total equity increased by \$11.904m to \$151.036m and is attributable to profits for the year and the revaluation of fixed land and buildings which generated additional reserves of \$1.448m.





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. 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

bcu's proposed merger with P&N Bank

On the 1 April 2019 bcu entered into a Merger Implementation Agreement with P&N Bank Limited, following completion of a comprehensive due diligence exercise. The proposed merger is conditional upon a number of factors, such as members voting in favour of the merger, and regulatory approvals. If all conditions are met, the merger is expected to be finalised on or about 1 November 2019.

The financial impact of the merger is as follows:

- Total cost of due diligence performed by bcu and to arrange for the merger vote is estimated at \$2.188m of which \$1.572m has been incurred during this financial year 30 June 2019.

Further information on the merger will be contained in the Member Information Booklet, expected to be distributed to members in September 2019.

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

A matter brought by a former employee is pending, but is not expected to have a material impact on bcu.

Auditor's independence

The auditor's independence declaration for the year ended 30 June 2019 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 the Directors and officers of the Credit Union against any costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as an officer of the Credit Union. 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 Credit Union.

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:

Director's Name	Board		Board Governance Committee	
	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
G Wallace	6	5	4	4
S Targett	17	17	10	10
G K Hardaker	17	16	10	9
M Gould	17	16	10	10
S D J Black	17	17	4	4
L Clarke	12	12	0	0
G Humphreys	12	12	0	0

Director's Name	Board Audit Committee		Board Risk Committee	
	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
G Wallace	3	3	3	3
S Targett	6	6	7	7
G K Hardaker	6	6	7	6
M Gould	6	6	7	7
S D J Black	6	6	7	7
L Clarke	3	3	4	4
G Humphreys	3	3	4	4

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



S C Targett
Chairman



G K Hardaker
Deputy Chairman

Brisbane
6 September 2019



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**DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF BANANACOA
COMMUNITY CREDIT UNION LTD**

As lead auditor of Bananacoast Community Credit Union Ltd and its controlled entities for the year ended 30 June 2019, 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, 6 September 2019

Consolidated Statement of Profit or Loss and Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019	2018
		\$'000	\$'000
Interest income	6	74,143	77,504
Interest expense		(28,526)	(30,473)
Net interest income		45,617	47,031
Other income	6	9,166	9,978
Net operating income		54,783	57,009
Employee benefits	7	(18,611)	(17,123)
Occupancy expense	7	(3,881)	(2,907)
Depreciation and amortisation expense	7	(1,411)	(987)
Credit impairment gain/(losses)	7	2,505	(1,403)
Other expenses	7	(18,685)	(18,767)
Profit before income tax		14,700	15,822
Income tax expenses		(4,161)	(5,127)
Profit for the year		10,539	10,695
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Net gains on investments in equity instruments designated at FVOCI		-	-
Revaluation of land and buildings, net of tax		1,448	
Other comprehensive income, net of income tax expense		-	-
Total comprehensive income for the year		11,987	10,695

The accompanying notes form part of these statements.

Consolidated Statement of Financial Position

As at 30 June 2019

	2019	2018
	\$'000	\$'000
Assets		
Cash and cash equivalents	117,244	183,920
Other receivables	4,586	4,967
Due from other financial institutions	151,238	79,498
Loans and advances	1,410,276	1,414,225
Property, plant and equipment	13,344	10,142
Investment securities	1,819	1,813
Deferred tax assets	2,803	4,747
Intangible assets	779	694
Other assets	645	367
Total assets	1,702,734	1,700,373
Liabilities		
Deposits	1,531,396	1,543,420
Other payables	18,498	15,370
Income tax payable	(1,012)	(23)
Provisions	2,816	2,474
Total liabilities	1,551,698	1,561,241
Net assets	151,036	139,132
Equity		
Reserves	42,103	40,638
Retained earnings	108,933	98,494
Total equity	151,036	139,132

The accompanying notes form part of these statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

Consolidated	Redeemed Preference Shares	General Reserve	Credit Losses reserve	Asset Revaluation reserve	Fair Value reserve	Retained Earnings	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2017	717	34,087	2,467	3,346	-	87,820	128,437
<i>Comprehensive income for the year</i>							
Profit for the year	-	-	-	-	-	10,695	10,695
Other comprehensive income for the year	-	-	-	-	-	-	-
<i>Total comprehensive income for the year</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>10,695</i>	<i>10,695</i>
Transfer from retained earnings to redeemed preference share reserve	21	-	-	-	-	(21)	-
Asset revaluation reserve	-	-	-	-	-	-	-
Transfer from asset revaluation reserve to retained earnings	-	-	-	-	-	-	-
<i>Total transfers</i>	<i>21</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(21)</i>	<i>-</i>
Balance as at 30 June 2018	738	34,087	2,467	3,346	-	98,494	139,132
Balance as at 1 July 2018	738	34,087	2,467	3,346	-	98,494	139,132
Impact of adopting AASB 9 at 1 July 2018	-	-	-	-	-	(83)	(83)
Restated balance at 1 July 2018	738	34,087	2,467	3,346	-	98,411	139,049
<i>Comprehensive income for the year</i>							
Profit for the year	-	-	-	-	-	10,539	10,539
Other comprehensive income for the year	-	-	-	-	-	-	-
Asset revaluation reserve	-	-	-	1,448	-	-	1,448
<i>Total comprehensive income for the year</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1,448</i>	<i>-</i>	<i>10,539</i>	<i>11,987</i>
Transfer from retained earnings to redeemed preference share reserve	17	-	-	-	-	(17)	-
<i>Total transfers</i>	<i>17</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(17)</i>	<i>-</i>
Balance as at 30 June 2019	755	34,087	2,467	4,794	-	108,933	151,036

The accompanying notes form part of these statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Interest received	74,279	77,156
Dividends received	160	175
Fees and commissions received	7,576	8,867
Interest paid	(30,844)	(30,473)
Payments to suppliers and employees	(37,407)	(37,374)
Net movement in loans and advances	7,536	(14,925)
Net movement in deposits	(9,703)	63,686
Income taxes (paid)/refunded	(3,170)	(6,502)
Net cash provided by / (used in) operating activities	8,426	60,610
Cash flows from investing activities		
Payments for property, plant and equipment	(3,269)	(1,762)
Proceeds from sale of property, plant and equipment	549	16
Payments for non-dealing securities	(72,382)	(5,625)
Net cash provided by / (used in) investing activities	(75,102)	(7,371)
Cash flows from financing activities		
Net movement in securitised loans	-	(25,543)
Net cash provided by / (used in) financing activities	-	(25,543)
Net increase / (decrease) in cash held	(66,676)	27,696
Cash at the beginning of the financial year	183,920	156,224
Cash at the end of the financial year	117,244	183,920

The accompanying notes form part of these statements.

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2019

The concise financial report was authorised for issue on 6 September 2019 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 Arieria Trust for the year ended 30 June 2019. 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 Australian 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 at FVOCI (applicable from 1 July 2018) and available-for-sale-financial assets (applicable before 1 July 2018) that have been measured at fair value.

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 Credit Union applied, for the first time, certain new and amended accounting standards and interpretations which are effective for annual reporting periods beginning on or after 1 July 2018. The Credit Union has initially adopted AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers from 1 July 2018. The changes in the accounting policy from the adoption of the new standards have been disclosed in the full financial statements.

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.

Review of financial performance

bcu's profit for the year was \$10.539m compared to the previous year's profit of \$10.695m. The net profit decrease of \$0.160m was due to a decrease in net interest income of \$1.414m to \$45.617m as the lending book contracted during the year that featured a tough and declining housing market. The effect of this was countered by a reduction in impairment costs.

Operational expenses (excluding impairments on loans and receivables) increased \$2.804m (or 7%), this was primarily due to an increase in employment costs, \$1.488m and the occupation of bcu's new Head Office in Coffs Harbour, \$0.974m. Depreciation increased resulting from additional equipment to fit the Head Office. The operating expense to net interest and net non-interest income ratio (excluding impairment losses) increased to 77.74% from 68.16% the previous year.

The credit impairment loss on loans and advances was reversed under the new AASB9 Accounting Standard and added \$2.300m to profit.

Tax expenses reduced to \$4.161m as profit before tax declined.

Total assets ended the year relatively flat at \$1.703b.

Total liabilities ended the year at \$1.552b representing a decrease of \$9.543m on the prior year. This is due to the decline in deposits of \$12.024m and as the growth in retained earnings assisted to fund the assets.

Total equity increased by \$11.904m to \$151.036m and is attributable to profits for the year and the revaluation of fixed land and buildings which generated additional reserves of \$1.448m.

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****bcu's proposed merger with P&N Bank**

On the 1 April 2019 bcu entered into a Merger Implementation Agreement with P&N Bank Limited, following completion of a comprehensive due diligence exercise. The proposed merger is conditional upon a number of factors, such as members voting in favour of the merger, and regulatory approvals. If all conditions are met, the merger is expected to be finalised on or about 1 November 2019.

The financial impact of the merger is as follows:

- Total cost of due diligence performed by bcu and to arrange for the merger vote is estimated at \$2.188m of which \$1.572m has been incurred during this financial year 30 June 2019.

Note 6**Income**

	2019	2018
	\$'000	\$'000
Interest income	74,143	77,504
Other income		
Dividends from investment securities measured at FVOCI	160	175
Fees and commissions (deposits)	3,914	4,500
Mortgage servicing income	4,140	5,043
Rental income from investment properties	57	58
Proceeds from insurance payout	768	-
Fair value adjustments	177	206
Bad debts recovered	51	22
Other	(101)	(26)
Total other income	9,166	9,978
Total income	83,309	87,482

Note 7**Profit before income tax**

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

	2019	2018
	\$'000	\$'000
Expenses		
Salaries, wages and other personnel costs	17,288	15,913
Superannuation expense (defined contribution)	1,323	1,210
	18,611	17,123
Credit impairment losses/(gain)	(2,505)	1,403
Other expenses		
Banking operations	2,531	2,756
General and administration	263	239
Marketing and brand	1,430	1,377
Professional services	4,173	3,980
Technology and communications	4,325	3,904
Subscriptions	521	364
Fees and commission	5,304	6,054
Net loss on disposal of property, plant and equipment	138	93
	18,685	18,767
Occupancy expenses		
Minimum lease payments	2,743	1,865
Utilities	531	452
Others	607	590
	3,881	2,907
Depreciation and amortisation expense		
Depreciation of plant and equipment	468	361
Amortisation of computer software	375	138
Amortisation of leasehold improvements	461	381
Depreciation of buildings	107	107
	1,411	987
Total expenses	40,083	41,187

Note 8

Related parties

Quantitative disclosures

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

Remuneration

Eight Senior Managers were paid variable remuneration in terms of APS 330 during the 2019 financial year (Six - 2018). There were no guaranteed bonuses or sign-on awards made during the financial year.

Deferred remuneration mentioned relates to prior years and was paid in the 2019 financial year.

	2019		2018	
	\$		\$	
	Unrestricted	Deferred	Unrestricted	Deferred
<i>Fixed remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	2,050,480	-	1,593,885	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
<i>Discretionary variable remuneration</i>				
Cash-based (including short-term, long-term and post-employment benefits)	328,500	-	150,957	5,000
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-

Directors' declaration

The Directors of Bananacoast Community Credit Union Ltd declare that:

- (a) The concise financial report of the entity for the year ended 30 June 2019 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 2019.

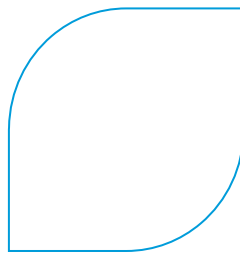
This declaration is made in accordance with a resolution of the Board of Directors.

S C Targett
Chairman

6 September 2019

G K Hardaker
Deputy Chairman

6 September 2019







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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 statement of financial position as at 30 June 2019, the statement of profit or loss and comprehensive income, the statement of changes in equity and the statement 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 2019 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.

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.



The financial report and our report thereon

We expressed an unmodified audit opinion on the financial report in our report dated 6 September 2019.

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, 6 September 2019





