

2015/2016
Annual Report.





bcu. Money Magazine's Credit Union of the Year.

We were thrilled to be awarded Money Magazine's Credit Union of the Year 2016. Money Magazine is Australia's longest-running, highest-selling and most-read personal finance magazine, so it was quite an honour for a regional credit union to take out top spot.

Previously we have been recognised by leading industry experts like Canstar and Money Magazine, winning individual product awards over the years however being awarded Credit Union of the Year validates our ongoing commitment to our members. Given our comparative size, we often can't be the best in every product however we strive to offer genuine value across all our products.





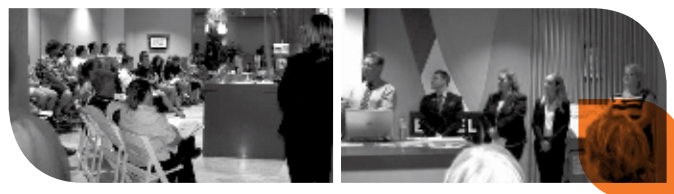
Investing in our business for our members.

During the year, we introduced some great new products, programs and features to further enhance our existing range of competitive financial products.

We were started by small business owners and small business continue to make up our core business segment across our region today. We realise that banking needs and requirements differ greatly from business to business, depending on the sector or location, and aligned with our commitment to helping small businesses, we have worked on developing business solutions for them.

In addition to product development and enhancement, we launched a series of financial education workshops, with the first event being tailored to First Home Buyers. These workshops were very popular, with attendees receiving some great information and hints from a range of industry experts giving them a comprehensive overview to help them on their way to climbing the property ladder.

We continued work on enhancements to our mobile banking application and launched an upgraded, simpler iBank, with additional functionality and features to improve the online banking experience. We continued to invest in our store network through refurbishing some existing stores and upgrading our ATM network ensuring we provide modern, functional banking services for our members.



Investing in our region's future.



The Bill Ussher Enterprise and Innovation Scholarships honour the work and dedication of bcu's founding Chairman, Mr Bill Ussher, who was integral to the success of the credit union through his commitment and passion for local businesses and the community.

The Scholarship program provides financial assistance to students which can be used to further their employment or career opportunities. The 2016 bcu Bill Ussher Scholarship program awarded \$15,000 to students across our region to assist with costs incurred in pursuit of their career goals. We received an astonishing number of applications, making judging difficult but highlighting that the future of the region is in safe hands given the passionate and enthusiastic students we have living across our region.

Changing futures

Congratulations to the 2016 bcu Bill Ussher Scholarship winners

Jade A - Maclean
Conan B - Nambucca Heads
Madeleine C - Bellingen
John B - Scotts Head
Ossian B - Coffs Harbour
Blaise B - Bellingen
Rachel E - Valla Beach
James W - Toormina
Georgia N - North Boambee Valley
Grace R - Coffs Harbour
Isabella P - Bonville
Brian A - Lowanna
Montana B - Via Kempsey
Alena H - Bellingen
Isabelle C - Korora

Reinvesting back in the community through sponsorship and involvement.

While it's crucial we continue to improve our products and services, we also remain committed to investing in our community through sponsorships and financial initiatives that benefit the people and associations across our region.

During 2016, we have continued to support many initiatives, from local sporting clubs and organisations to large, regional events including:

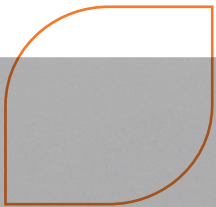
- The bcu Coffs TRI
- The Macksville Gift Carnival
- Australian Surf Festival
- Our own, bcu Bill Ussher Enterprise and Innovation Scholarships
- CSA donations
- Sportz Central, Coffs Harbour
- The Cancer Council
- Coffs Business Women's Networking Association
- The Luke Hartsuyker Charity bike ride



Luke Hartsuyker Charity Bike Ride



Luke Hartsuyker Charity Bike ride – showing off the new branded bcu cars at bcu’s Flagship Store, ready to welcome the cycling contingent on their way from Maclean down to South Kempsey raising money for four great local charities; Mid North Coast Disabled Surfers Association, Maclean Hospital Auxiliary, Nambucca Men’s Shed and the Macleay Vocational College.



The Bellingen Show



Australian Surf Festival



Macksville Primary School



Macksville Primary School – we have sponsored this school for many years as a minor sponsor presenting awards once a year

Maclean Tennis Camp



Maclean Tennis Camp – bcu partnered up with the Club to promote the Scoot program to participants



O Week

O Week at universities across the network to promote our great products for students

Shave for a cure – daughter of Lorraine Dobbin at our Maclean store



Shave for a cure



TAFE Coffs

TAFE Coffs – bcu attended an information day for students



Urunga Mother's Day

Urunga Mother's Day picnic in the park

Concise Financial Report

For the Year Ended 30 June 2016.

Contents

The concise financial report is an extract from the full financial report for the year ended 30 June 2016. 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.

8	Directors Report 2015 - 16
12	Declaration of Independence
13	Consolidated Statement of Comprehensive Income
14	Consolidated Statement of Financial Position
15	Consolidated Statement of Changes in Equity
16	Consolidated Statement of Cash Flows
17	Notes to the Concise Financial Statements
21	Directors' Declaration
22	Independent Audit Report

Registered Name: Bananacoast Community Credit Union Ltd

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

Telephone: 1300 228 228

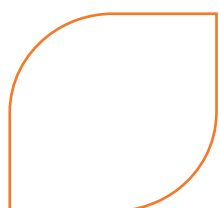
Internet: www.bcu.com.au

ABN: 50 087 649 750

AFSL: 241077

Australian Credit Licence: 241077

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



Directors' Report 2015–2016.

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 2016.

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

Non Executive Directors Cont.

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 industry 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

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

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 2015 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 Peter Hunter Waters

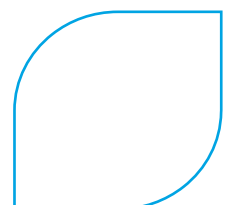
DipFS, FACUI, JP

Company Secretary since 2008, retired from bcu and as Company Secretary on 27 May 2016.

Mr Lyndon Allen Kingston

MCom, BBus, GradDipFin, GradDipBus, FFin, ACA

Company Secretary from 27 May 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 \$8.845m compared to the previous year's profit of \$7.674m. The drivers of the performance are described in further detail in the following pages.

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 2016 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. No indemnities have been given to the officers or the auditor.

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	6	6
D H Christy	7	6	0	0
G K Hardaker	7	6	6	6
J O Hoey	7	7	6	6
S D J Black	7	7	0	0
L A Kingston	7	7	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	5	5	6	6
D H Christy	5	5	6	5
G K Hardaker	5	5	6	5
J O Hoey	5	5	6	6
S D J Black	5	5	6	6
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

26 September 2016
Brisbane



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Australia

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

As lead auditor of Bananacoast Community Credit Union Ltd and its controlled entities for the year ended 30 June 2016, 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, 26 September 2016

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 2016.

	Note	2016	2015
		\$'000	\$'000
Interest income	6	71,657	73,682
Interest expense		(29,803)	(36,695)
Net interest income		41,854	36,987
Other revenue and income	6	9,416	8,711
Employment expense	7	(17,222)	(15,941)
Occupancy expense	7	(3,093)	(3,315)
Depreciation and amortisation	7	(1,823)	(2,161)
Impairment loss on loans and advances	7	(2,360)	(736)
Impairment loss on other financial assets	7	–	–
Other expenses	7	(14,170)	(12,800)
Profit before income tax		12,602	10,745
Income tax expenses		(3,757)	(3,071)
Profit for the year		8,845	7,674
Other comprehensive income		–	–
Total comprehensive income for the year		8,845	7,674

The accompanying notes form part of these statements.

Discussion and analysis of the Consolidated Statement of Comprehensive Income

bcu's profit for the year was \$8.845m compared to the previous year's profit of \$7.674m. The net profit increase of \$1.171m (or 15.25%) was mainly due to the increase in net interest margin of \$4.867m compared with the prior year. The increase was due to a combination of the mix of lending products that favoured higher yielding lending rates, a reduction in the size of the funding pool and the mix of the funding pool favouring less expensive instruments.

Employment expenditure increased \$1.281m to assist in delivering bcu's strategies through product development and enhancing profitability through focusing on achieving the optimum product mix. As the lending portfolio grew, provisions for loan portfolio impairment was prudently increased by \$1.624m to cover for unlikely but possible impairment losses on loans and advances.

General and administration expenditure has increased \$756k as bcu embarked on projects to improve systems and processes and to adapt to changes that are occurring as a result from advancements in technology and meeting the demands of regulators. Arrangements with mortgage brokers to assist with the distribution of bcu's loan products has been established and resulted in the increased commission expenditure of \$781k. The operating expense to net interest and net non-interest income ratio (excluding impairment losses) decreased to 64.85% from 72.88% the previous year as income growth outpaced the increase in expenditure.

Consolidated Statement of Financial Position As at 30 June 2016.

	2016	2015
	\$'000	\$'000
Assets		
Cash and cash equivalents	117,529	171,663
Financial assets available for sale	1,813	1,813
Other receivables	3,471	3,983
Financial assets held to maturity	77,786	64,976
Loans and advances	1,306,532	1,205,208
Property, plant and equipment	11,113	10,069
Investment property	–	–
Net deferred tax assets	4,301	4,106
Intangible assets	152	358
Other assets	430	426
Total Assets	1,523,127	1,462,602
Liabilities		
Deposits	1,360,862	1,304,499
Other payables	9,490	9,557
Income tax payable	1,194	1,286
Provisions	2,419	2,622
Borrowings	29,839	29,954
Subordinated borrowings	–	5,500
Total Liabilities	1,403,804	1,353,418
Net Assets	119,323	109,184
Equity		
Member bonus shares	–	3,404
Reserves	40,596	39,271
Retained earnings	78,727	66,509
Total Equity	119,323	109,184

The accompanying notes form part of these statements.

Discussion and analysis of the Consolidated Statement of Financial Position

Total assets ended the year at \$1.523b representing an increase of \$61.1m (or 4.18%) for the year. This was primarily due to the increases of loans and advances of \$101.3m (or 8.41%), and financial assets held to maturity of \$12.8m (or 19.71%). This was offset by a decline in cash and cash equivalents of \$54.1m (or 31.51%). Total liabilities ended the year at \$1.404b representing an increase of \$50.4m (or 3.72%) on the prior year. This is mainly due to the growth in deposits of \$56.4m (or 4.32%) to support the growth in assets.

Consolidated Statement of Changes in Equity For the Year Ended 30 June 2016.

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 2014	3,412	646	34,087	2,467	2,170	58,736	101,518
<i>Total comprehensive income for the year</i>							
Profit for the year	–	–	–	–	–	7,674	7,674
Other comprehensive income for the year	–	–	–	–	–	–	–
Transfer from retained earnings to redeemed preference share reserve	–	28	–	–	–	(28)	–
Transfer from asset revaluation reserve to retained earnings	–	–	–	–	(127)	127	–
Member bonus shares redeemed	(8)	–	–	–	–	–	(8)
Balance as at 30 June 2015	3,404	674	34,087	2,467	2,043	66,509	109,184
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	–	–	–	–	–	–	–
Transfer from retained earnings to redeemed preference share reserve	–	22	–	–	–	(22)	–
Asset revaluation reserve	–	–	–	–	1,303	–	1,303
Transfer from Member bonus shares to retained earnings	(3,395)	–	–	–	–	3,395	–
Member bonus shares redeemed	(9)	–	–	–	–	–	(9)
Balance as at 30 June 2016	–	696	34,087	2,467	3,346	78,727	119,323

The accompanying notes form part of these statements.

Discussion and analysis of the Consolidated Statement of Changes in Equity

Total equity increased by \$10.1m to \$119.3m (or 8.49%). The contributors was the inclusion of the \$8.845m profits for the year and the revaluation of fixed property \$1.303m.

Consolidated Statement of Cash Flows For the Year Ended 30 June 2016.

	2016	2015
	\$'000	\$'000
Cash flows from operating activities		
Interest received	71,862	73,890
Dividends received	138	225
Fees and commissions received	8,218	8,931
Interest paid	(31,364)	(36,808)
Payments to suppliers and employees	(32,962)	(32,323)
Loans advanced/repaid	(104,207)	(48,208)
Cash received from member deposits	57,856	41,004
Income taxes paid	(3,803)	(3,415)
Net cash (used)/provided by operating activities	(34,262)	3,296
Cash flows from investing activities		
Payments for property, plant and equipment	(1,442)	(210)
Proceeds from sale of property, plant and equipment	5	501
Net movement in financial assets held to maturity	(12,811)	19,465
Net cash (used)/provided in investing activities	(14,248)	19,756
Cash flows from financing activities		
Redemption of member bonus shares	(9)	(8)
Repayment of borrowings	(5,500)	–
Net movement in securitised loans	(115)	(5,547)
Net cash (used)/provided in financing activities	(5,624)	(5,555)
Net increased in cash held	(54,134)	17,497
Cash at the beginning of the financial year	171,663	154,166
Cash at the end of the financial year	117,529	171,663

The accompanying notes form part of these statements.

Discussion and analysis of the Consolidated Statement of Cash Flows

Cash at the end of the financial year decreased from \$171.7m to \$117.5m representing an decrease of \$54.1m during the year.

The cash consumed by operating activities during the year was \$34.2m compared to \$3.3m cash generation in the previous year. This was due to growth in loans and advance of \$104m, funded by \$57.9m from deposits as well as \$11.9m from the results of operating activities. The remaining asset growth was funded from existing cash reserves. Interest was earned from higher yielding assets and therefore despite the reduction in interest rates did not decline significantly when compared to the prior year. Interest paid has reduced as expected due to the lower levels of funding and the reductions in the cash rate announced by the RBA. Investing activities consumed \$12.8m during the year to buy quality assets for the liquid asset portfolio to protect the liquidity of bcu. bcu elected to repay its \$5.5m subordinated debt in order to enter into more favourable terms and capital treatment.

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2016.

The concise financial report was authorised for issue on 9 September 2016 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 2016. 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 in bcu and that are believed to be reasonable under the circumstances.

NOTE 4:

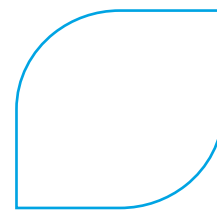
Dividends and options

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

	2016	2015
	\$'000	\$'000
Interest Income	71,657	73,682
Non-Interest Income		
Divided revenue	138	225
Transaction and account fees	4,675	4,624
Loan fees and other commissions	4,535	3,825
Rental income	47	37
Other	21	–
Total Non-interest Income	9,416	8,711
Total Income	81,073	82,393

NOTE 7: Profit Before Income Tax

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

Expenses		
Employment expenses	17,222	15,941
General and administration expense	8,644	7,888
Fees and commission expenses	5,532	4,751
Rental expense on operating leases	1,395	1,448
Occupancy expenses	1,698	1,867
Net impairment loss on loans and receivables	2,360	736
Impairment loss on other financial assets	–	–
Depreciation of plant and equipment	868	1,093
Amortisation of computer software	258	271
Amortisation of leasehold improvements	498	573
Net loss on disposal of property, plant and equipment	(6)	161
Depreciation of buildings	199	224

Notes to and forming part of the Financial Statements For the Year Ended 30 June 2016.

NOTE 8: Prudential Remuneration Disclosure

The Board Governance Committee is responsible for overseeing remuneration within bcu. The members of the Board Governance Committee are:

- G A Wallace (Chairman) – Chairman of the Board and Non-Executive Director
- J O Hoey – Deputy Chairman of the Board, Chairman of the Board Audit Committee, Chairman of the Board Risk Committee and Non-Executive Director
- G K Hardaker – Non-Executive Director

The Board Governance Committee is responsible for overseeing the remuneration structure for the Board, Executive Management and other persons whose activities in the opinion of the committee may affect the financial soundness of the institution. 7 persons are classified as senior Managers (excluding non executive Directors) in accordance with Prudential Standard CPS510 (2015:8). No persons were considered to be material risk-takers as per Prudential Standard CPS510 (2015: nil).

The Board Governance Committee meets as required with the number of meetings held during the year and attendance noted in the Directors' Report. There is no separate remuneration paid to the Board Governance Committee members in relation to their duties on this committee.

Advice regarding levels of remuneration and remuneration management practices is sought annually from:

- McQuirk Management Consultants – "Mutual Financial Board Remuneration Survey"
- Australian Institute of Management – "Large Companies Salary Survey"
- Australian Institute of Company Directors – "Australian Board Remuneration Survey Report"

bcu's Remuneration Policy was reviewed and approved by the Board Governance Committee on 25 February 2016. The Remuneration Policy applies to all employees of bcu and its controlled entities. The key features and objectives and the policy are to:

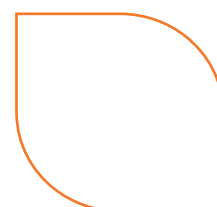
- establish a Remuneration Policy that complies with the APRA Prudential Standards and aligns remuneration to enterprise wide risk management and strategy;
- outline bcu's remuneration objectives;
- outline bcu's remuneration arrangements for fixed and performance based remuneration applicable to Directors, Executive and Senior Management or other persons whose activities in the opinion of the Board Governance Committee may affect the financial soundness of bcu; and
- establish a mechanism where by performance based remuneration practices for Executive and Senior Management and other persons are regularly reviewed.

Balanced key result areas covering risk, capital, governance, financial performance, sales, service and reporting are taken into account in determining fixed and variable remuneration. Remuneration arrangements comprise the following components:

- a fixed component consisting of salary, FBT charges related to employee benefits, leave entitlements and employer contribution to superannuation funds dependent on position accountability and responsibility; and
- a discretionary variable or short term cash bonus component differentiated by performance that takes into account the achievement of both individual and institution-wide performance in key result areas noted above. The timing and payment of short term bonuses is ultimately at the discretion of the Board Governance Committee in line with approved remuneration policies.

bcu has not awarded or paid during the year any long term incentives (including deferred fixed or variable remuneration); shares and share-linked instruments; sign-on awards; and/or guaranteed bonuses.

Remuneration and performance are measured on a regular basis but at a minimum at least annually.



During the year the Remuneration Policy was reviewed by the Board Governance Committee. No material changes were made. Management of risk and return is critical to bcu's continuing profitability and sustainability and bcu actively manages risk through the operational responsibilities of management in accordance with policies approved by the Board and the Board Audit Committee and Board Risk Committee. The following key risks are considered in the performance and remuneration:

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

The performance and remuneration of risk and compliance staff is assessed in accordance with the framework contained in the remuneration policy (as described above). Performance is assessed according to key performance indicators related to the risk and compliance role undertaken. The key result areas may cover risk, capital, compliance, financial control, service and reporting. The performance and remuneration of risk and compliance staff is reviewed annually. Payment of any performance bonuses to risk and compliance staff is in accordance with approved remuneration policies

The total value and type of remuneration for Senior Managers during the year is listed in the table below. Senior Managers are defined as per Prudential Standard APS330 Public Disclosure and do not include Non Executive Directors.

	2016	2015
	\$'000	\$'000
<i>Fixed remuneration</i>	Unrestricted	Unrestricted
Cash-based (including short-term, long-term and post-employment benefits)	1,678	2,882
Shares and share-linked instruments	–	–
Other	–	–
<i>Discretionary variable remuneration</i>		
Cash-based (including short-term, long-term and post-employment benefits)	62	50
Shares and share-linked instruments	–	–
Other	–	–

No deferred remuneration, either fixed or discretionary variable, was provided during the year (2015:nil).

The number of senior managers who received discretionary variable remuneration during the year was 2 (2015:3).

No persons were exposed to implicit or explicit adjustments of deferred remuneration and retained remuneration.

No remuneration was provided to material risk takers. Material risk-takers are defined as per *Prudential Standard APS330 Public Disclosure*.

Director's Declaration.

The Directors of Bananacoast Community Union Ltd declare that:

- (a) The concise financial report of the entity for the year ended 30 June 2016 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 2016.

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



G A Wallace
Chairman

26 September 2016



J O Hoey
Deputy Chairman

26 September 2016



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INDEPENDENT AUDITOR'S REPORT

To the members of Bananacoast Community Credit Union Ltd

Report on the Concise Financial Report

We have audited the accompanying concise financial report of Bananacoast Community Credit Union Ltd and its controlled entities which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and related notes, derived from the audited financial report of Bananacoast Community Credit Union Ltd and its controlled entities for the year ended 30 June 2016 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' Responsibility 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 are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Bananacoast Community Credit Union Limited for the year ended 30 June 2016. We expressed an unmodified opinion on that financial report in our report dated 26 September 2016. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year.

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These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bananacoast Community Credit Union Ltd, would be in the same terms if it had been given to the directors as at the time of this auditor's report.

Opinion

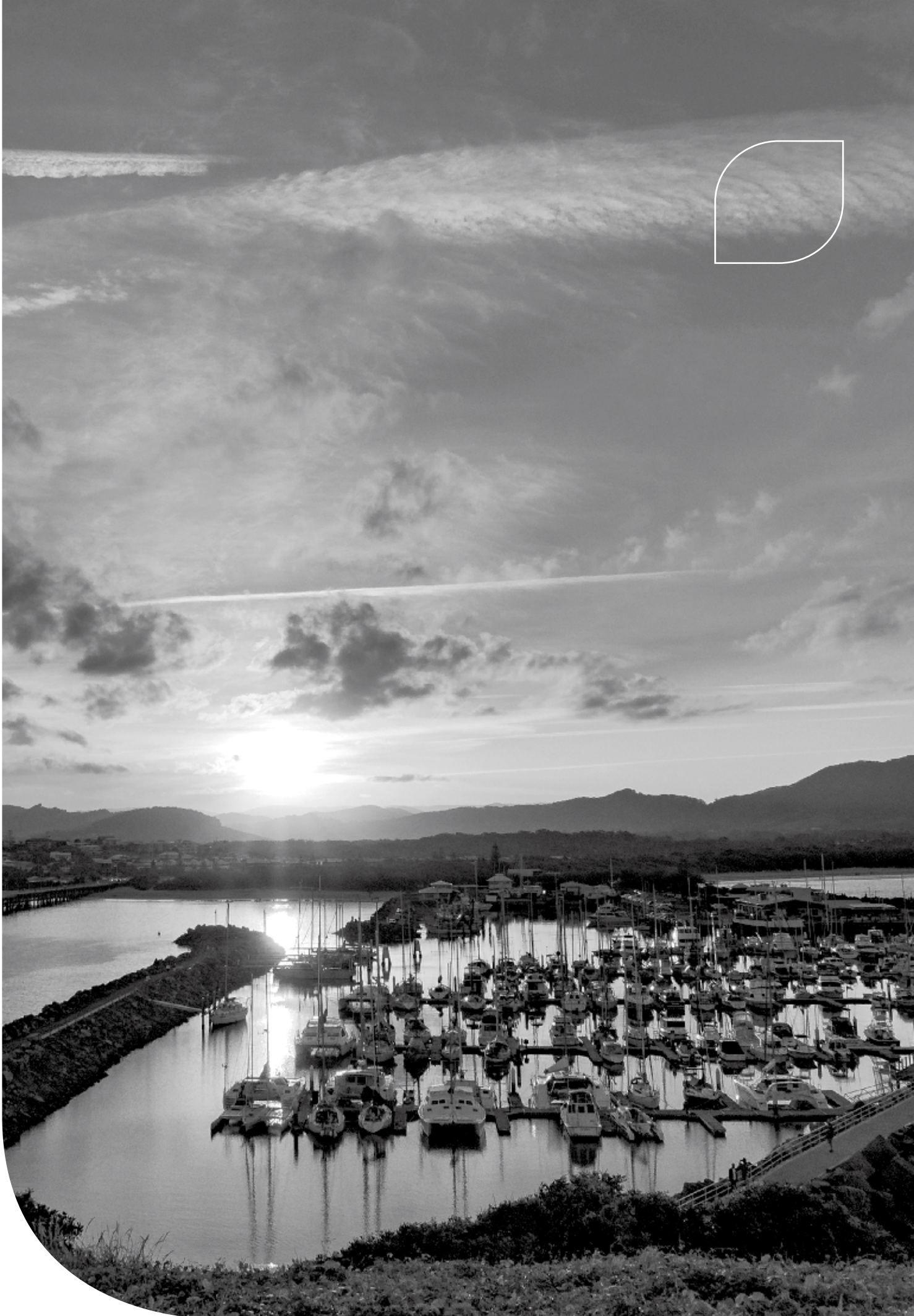
In our opinion, the concise financial report including the discussion and analysis, of Bananacoast Community Credit Union Ltd and its controlled entities for the year ended 30 June 2016 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'P A Gallagher', written over a faint, larger signature.

P A Gallagher
Director

Brisbane, 26 September 2016





1300 228 228

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