

Traditional Credit Union
ANNUAL REPORT
2017/18



**One people working
together to build
Indigenous independence**



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Services to people living in
some of the most remote areas
of the Northern Territory

Chair's and CEO's Report

Firstly, we would like to thank the Aboriginals Benefit Account for the significant funding assistance the Traditional Credit Union Limited (the "Credit Union") has received over the period 2010 to 2018. The funding enabled us to expand and continue to provide our Members with 'face to face' access to banking services and substantially improve financial literacy in remote communities in the Northern Territory.

We now provide banking Branches in 14 remote communities and 3 urban centres.

In addition to our Branch network, we operate a fleet of 22 ATMs located in remote communities and 9 in urban centres.



The Chair: Micky Wunungmurra



TCU Mobile Phone Application



TCU ATM



The CEO: Tony Hampton

Importantly, our Branch network and fleet of ATMs enables our Members to access cash and perform transfers without having to travel outside of their remote communities. Members can perform these transactions in-branch, assisted by locally employed indigenous staff or through our conveniently located ATMs. Withdrawal, deposit and transfer transactions are free to our Members using our facilities.

We have also invested in contemporary access methods; Internet Banking and Mobile Banking and we complement these services with in-branch assistance and training.

Another highly valued service we provide is the immediate issue of Cue Cards through our Branches, ensuring that our Members continue to have access to cash outside of Branch opening times.

Our members



Source: TCU Website

Members

We have over 9,000 members with well over 7,000 active transaction accounts and we provide small business banking in a number of the remote communities.

The people we help are our First Nations people that are largely welfare dependent and feel excluded from the nation's financial system. Along with providing socially responsible banking services, we strive to educate our members by providing 'hands-on' financial and digital literacy information. We believe consistent and regular education and interaction with our locally based indigenous staff is the key to understanding and benefiting from modern banking technologies. A significant by-product of this approach is a general increase in understanding of how to use other internet and mobile based access services from mainstream banks, industry superannuation funds and government departments.

In delivering our services our values remain embedded in our behaviours:

Respect culture

Walk together

Care



Source: TCU Website

Members

Chair's and CEO's Report

Supporting our communities

Equally important is that the the Credit Union has become a part of the fabric of remote communities by employing local indigenous people and providing, not only on the job training and work experience, but access to certificate level qualifications recognised in the financial services sector, Australia wide.



Wadeye Community

We strongly believe in the importance of being physically located in remote communities because:

- our Members prefer to deal with a real person;
- our Members are more comfortable when dealing with an Indigenous person, particularly when that person lives in their community;
- our staff make banking easier to understand by explaining things 'face to face' in simple terms;
- our staff can communicate in language or English; and
- our staff understand the cultural dynamics, governance and family structures within the community and adjust behaviours and services accordingly.



Barunga Festival 2018

We continue to be involved in many activities in local communities by providing financial sponsorship or through staff participation.

This year we again sponsored the Barunga Festival, where several of our directors and senior management participated in the expo and took in the amazing sights and sounds of all the events over the 3 days.



Barunga Festival 2018

Our performance

Our financial performance and position continues to be strong as highlighted below in the Director's Report.

However, the path ahead will be challenging. The funding from the Aboriginals Benefit Account has concluded and regulatory requirements are taking more and more time, effort and cost to comply, which is a particularly heavy burden on a small Approved Deposit-taking Institution ("ADI").

Our revenue model is fundamentally different from that of other ADIs (such as other credit unions and banks) due to our net interest income being minimal. We are predominately a provider of transaction and deposit accounts coupled with small volumes of micro-lending. We do not offer mortgage lending (housing in the remote communities is generally community based). This means that we rely on fee income from our transaction accounts and service fees from non-members using our ATM facilities, to continue to operate as a going concern. Also, the costs associated with providing banking services to communities are very high:

- the cost of tenancies in remote communities is high and the options are limited;
- transportation of cash is expensive requiring air transport in most cases;
- travelling to communities to support and train staff is expensive and time consuming; and
- the cost of installing and maintaining technology and communication facilities in remote communities is disproportionately high compared to urban centres.

Notwithstanding, we have recently undertaken a detailed assessment of our current operating environment and expenditure and are pleased to confirm that our budget for 2018/19 reflects an ability to be self-funded from an operational perspective. However, to achieve this we recognise we must become more efficient and effective with our expenditure and tailor our services while remaining relevant to our Members' unique needs.

Strategic blueprint for the future

We have identified two main strategic pathways forward:

- **'Reshape'** the organisation – introduce improved processes and contemporary technologies that enable us to remain self-funded.

The Australian banking regulatory environment provides many challenges for small ADIs and we are the smallest of all registered ADIs in Australia. Addressing costs and introducing efficiencies will enable us to continue to provide these essential banking services in remote communities in the short to medium term. To aid this process, we will enhance our digital services and trial smart ATM's to take the load off our branch cash services.

However, we believe that a cooperative approach by financial services providers is the only sustainable long term solution for banking in very remote communities. Therefore we are exploring a unique shared services solution.

- **'Banking Hub'** – create a banking hub, a central location within remote communities, where any financial service organisation can share their services and devices to allow all customers, particularly indigenous customers, to be assisted by local indigenous staff in undertaking basic banking activities across traditional and modern technology platforms in a culturally friendly environment.

We have identified that more can be achieved in providing essential banking services in remote communities if financial institutions work together and adopt a common and shared cost approach. This strategy is in its early stages but is showing great potential.

Chair's and CEO's Report

Our people

More than 80% of our 60+ staff are Indigenous people. We employ and train local people to work in their own remote Indigenous communities.

Staff turnover, due largely to the difficulty in balancing Indigenous cultural obligations with the obligations of working for a financial institution, is high (greater than 50% per annum), which means recruitment and training is a big part of our work.

However, the training we provide gives former staff transferable skills and many find other employment in their communities as a result of the training they have had. This adds value to their communities.



Ramingining Staff

The Chief Executive Officer (“CEO”)

At the end of February 2018, Cathy Hunt, after 17 years of dedicated service retired from the role of CEO. We thank Cathy for her time leading our organisation and note the great progress made towards achieving our vision.

Our Board commenced a nationwide search for an appropriate replacement in December 2017 with a specific focus on a leader who could transition the Credit Union into an organisation capable of withstanding the seemingly ever increasing challenges of the modern banking environment overlaid with the unique environment of the Northern Territory, remote communities and Indigenous culture.

Our new CEO, Tony Hampton, was appointed in April 2018, and we look forward to his contribution in leading the Credit Union through its strategic transformation.

We thank our Executive Team and staff for their passion and commitment but most importantly we thank our Members for their continued support.



The Executive Team: From left to right; Tony Hampton (CEO), Alex Henggeler (CFO) and John Appleby (COO, Deputy CEO)

Board and corporate governance



The CEO and Board of Directors: *From left to right*; Tony Hampton (CEO), Iain Summers, Richard Bandalil, David Knights, Elsbeth Torelli, David Djalangi, Sharyn Innes and Micky Wunungmurra (Chair). *Missing from photo*: David Marpiyawuy and Bunug Galaminda

Our Board of nine directors includes a majority of five Indigenous directors.

Our Board and the Executive Team are committed to managing our business ethically and maintaining high standards of corporate governance. Our Board has adopted practices and process to ensure the sound management and oversight of the Credit Union within the legal and regulatory framework we operate under.

We are protected by the same safeguards that apply equally to all ADIs and we are regulated by the same authorities. We act in accordance with the laws, regulations, standards and codes of conduct applicable to us.

Our Board has a formal Charter setting out its role and responsibilities. The interests of the Members are paramount to our operations. These interests are best protected when the company stays strongly focused on its objectives and legal obligations. In fulfilling this role our Board is responsible for setting the overall governance framework. This includes:

- providing strategic guidance
- establishing and monitoring our performance against our objectives
- ensuring the integrity of internal controls and information systems
- ensuring regulatory compliance
- setting our appetite and tolerance for risk
- maintaining sound financial and risk management systems oversight

To assist in the execution of these responsibilities our Board has established a number of key committees, each with its own charter. Our Board has delegated responsibility for the 'day to day' operations and management of the Credit Union to the CEO and the Executive Team.

Micky Wunungmurra

Micky Wunungmurra
Chair

Tony Hampton
Chief Executive Officer