

Directors' report

The Directors present their report together with the financial report of **mecu** Limited ('the Company') trading as **bankmecu** and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2012 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name & qualifications	Experience and special responsibilities
J W Baistow BA, DipBusStud, DipCD, Grad Dip Mgt (Tech), MBA (Tech Management), FAICD, FAMI	J W Baistow is a retired senior executive with CSIRO and is Chairman of mecu Limited. Former Director of Cuscal Ltd 2002–2011 and Chairman of CUFA 2006–2010. He has been a Company Director for 23 years. Chair of the Governance Committee and Executive Committee. Ex officio member of the Audit and Compliance Committee and Finance and Risk Committee.
G J Camm MBA, BBus, CPA, SF Fin	G J Camm is a Trustee, Australian Cancer Research Foundation, member of the Business Advisory Council of Greenfleet Australia and has been a Company Director for 10 years. Appointed to the Board of Directors on 23 February 2012. Member of the Finance and Risk Committee.
H M Clarke DipSocSci, DipEd, FAICD, MAMI	H M Clarke is manager of the Community & Stakeholder Relations Branch with the Victorian Department of Education and Early Childhood Development and has been a Company Director for 20 years. Appointed Deputy Chair 26 October 2006. Member of Finance and Risk Committee, Executive Committee and Governance Committee.
P J Crocker DipME, TTTC, FAICD, DipFS, FAMI	P J Crocker is a Company director and a former Education and TAFE administrator and President of a teachers' union. He has been a Company Director for 28 years. Appointed Chair 27 October 2005. Retired on 22 December 2011.
R D Dixon CPA, ACIS	R D Dixon is the former General Manager of Queensland Teachers Credit Union Limited from 1985–2005. Former Director of Cuscal Limited 1992–2004 including Deputy Chair 1999 and Chair 2000–2004. Former Director Uni Credit Union Limited 2007–2008. Independent Chair of E.Commerce Holdings Pty Ltd (trading as The System Works) since 2007. He has been a Director of mecu limited for 5 years. Chair of the Finance and Risk Committee and member of the Governance Committee.
J S Downes BA (Hons), DipEd, GradDipBus (Acct), FCPA, FCA, FAICD	J S Downes is a member of the World Vision Business Advisory Council, IFRS Advisory Council, AICD Reporting Committee and a Visiting Fellow of The University of Melbourne and has 15 years experience as a Company Director. Former positions include Director, Alcoa Australia 2009–2011 and Director, ING Australia 2005–2008. Appointed to the Board of Directors on 1 March 2012. Member of the Audit & Compliance Committee.
P J Ford BA, DipEd, FAICD, MAMI	P J Ford is a Company Director and was formerly General Manager, Southern Region for Cuscal Limited. He has been a Company Director for 18 years. Member of the Audit & Compliance Committee.

Directors' report (continued)

Name & qualifications	Experience and special responsibilities
G P Russell BA (Sociology), Grad Dip Bus Admin, Dip Financial Services, FAMI, GAICD	G P Russell is a former Director and Chair of RegionalOne Credit Union 1987–2009. Chairman of Ballarat Hospice Care Board, Past President of Rotary Club of Wendouree. He has been a Company Director for 24 years. Retired on 23 February 2012.
P J Taylor BEc, CPA, ACIS, ACSA, MIIA(Aust), RCA, FAICD, FAMI	P J Taylor is an Audit Consultant and a Registered Company Auditor and has been a Company Director for 21 years. Chair of the Audit and Compliance Committee and member of the Governance Committee.
D G Walsh BBus, FCPA, MBA, GAICD, AFAMI, FFIN	D G Walsh was appointed Managing Director on 22/09/2011 and is the former General Manager, Corporate Services of mecu Limited. Member of the Finance and Risk Committee, Board Executive Committee and Governance Committee.

2. Company Secretary

Damien G Walsh

BBus, FCPA, MBA, GAICD, AFAMI, FFIN

He has held the position of Managing Director since 22 September 2011 and was previously General Manager Corporate Services for 8 years. He has 24 years' experience in the mutual banking sector.

Resigned as company secretary on 23 February 2012.

Christopher H Newey

BBus, CPA, MAMI

C H Newey was appointed joint company secretary on 27 November 2003. He has held the position of General Manager Corporate Services since 1 September 2011 and was previously Finance & Administration Manager for 8 years. He has 20 years' experience in the mutual banking sector.

Leanne E Ladson

BBus, CPA, MAMI

L E Ladson was appointed joint company secretary on 23 February 2012. She has held the position of Finance Manager for 10 months. She has 30 years' experience in the mutual banking sector.

3. Key management personnel

Damien G Walsh

BBus, FCPA, MBA, GAICD, AFAMI, FFIN

Managing Director

He has held the position of Managing Director since 22 September 2011 and was previously General Manager Corporate Services for 8 years. He has 24 years' experience in the mutual banking sector.

Phylip E Doughty

BBus (Acct), FCPA, FTIA, FAICD

Chief Executive Officer

P E Doughty held the position of Chief Executive Officer for 9 years and was the former Chief Executive Officer of Education Credit Union for 19 years. Retired on 31 August 2011.

Robert J Allen

BA, DipEd, MAICD, FAMI

General Manager Operations

R J Allen has held the position of General Manager Operations for 10 years and has 27 years' service with the Company.

Rowan B Dowland

GAICD, AFAIM

General Manager Development

R B Dowland has held the position of General Manager Development for 10 years and has 21 years' experience in the mutual banking sector.

Christopher H Newey

BBus, CPA, MAMI

General Manager Corporate Services

He has held the position of General Manager Corporate Services since 1 September 2011 and was previously Finance & Administration Manager for 8 years. He has 20 years' experience in the mutual banking sector.

John P Yardley

MBA

General Manager Lending & Personal Banking

J P Yardley has held the position of General Manager Lending & Personal Banking for 10 years and has 13 years of banking experience. Previous experience includes corporate advisory (acquisitions) and time as a Chief of Staff for a senior New Zealand Cabinet Minister.

4. Directors' meetings

Director	Board Meetings		Audit and Compliance Committee Meetings		Finance and Risk Committee Meetings		Sustainable Development Committee Meetings		Board Remuneration Committee Meetings		Governance Committee Meetings		Legislative Review Committee Meetings	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
J W Baistow	11	11	4	4	7	7	1	1	1	1	3	3	1	1
G J Camm	6	6	–	–	4	4	–	–	–	–	–	–	–	–
H M Clarke	11	11	–	–	11	11	–	–	1	1	3	3	–	–
P J Crocker	5	5	1	1	3	4	1	1	1	1	–	–	–	–
R D Dixon	11	11	–	–	11	11	–	–	–	–	–	–	1	1
J S Downes	5	5	1	1	–	–	–	–	–	–	–	–	–	–
P J Ford	11	11	4	4	–	–	1	1	–	–	–	–	–	–
G P Russell	6	6	–	–	7	7	1	1	–	–	–	–	–	–
P J Taylor	11	11	4	4	–	–	–	–	–	–	3	3	–	–
D G Walsh	9	9	–	–	8	8	–	–	–	–	3	3	–	–

A – Number of meetings attended.

B – Number of meetings held during the time that the Director held office during the year.

5. Remuneration report

Principles of compensation

Remuneration of Directors and executives is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the non-executive Directors and senior executives of the Company.

Compensation levels for key management personnel and secretaries of the Company are competitively set to attract and retain appropriately qualified and experienced Directors and executives. The Board Remuneration Committee obtains independent advice on the appropriateness of compensation packages given trends in comparable companies.

Non-executive Directors

Total compensation for all non-executive Directors, last voted upon by members at the 2011 AGM, is not to exceed \$491,270 per annum. The Directors may determine how this sum is to be apportioned among them and how and when it is to be paid. The said sum includes relevant taxes payable by either the Company or Directors.

6. Principal activities

The principal activities of the Company during the year remained unchanged and were the raising of funds as authorised by the Prudential Standards administered by the Australian Prudential Regulation Authority 'APRA' and the *Banking Act 1959*, and the application of those funds in providing financial accommodation to customers.

7. Operating and financial review

Operations

During the year, the Company operated within the requirements of the Prudential Standards administered by APRA. The consolidated entity experienced growth in reserves of 8.25% (2011: 10.77%), net loans and advances of 4.51% (2011: 7.99%) and deposits of 10.72% (2011: 7.61%).

Financial review

During the year the consolidated entity earned net profit of \$27,015,571 (2011: \$27,511,038).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the course of the year.

Directors' report (continued)

8. Credit rating

During the year ended 30 June 2012, the consolidated entity's long-term credit rating was maintained at 'BBB+' and the short-term rating was maintained at 'A-2' by Standard and Poor's.

Credit ratings are statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Credit ratings are subject to change. For the latest credit ratings information please refer to www.standardandpoors.com.au

Standard & Poor's (Australia) Pty Ltd holds Australian financial services licence number 337565 under the *Corporations Act 2001*. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the *Corporations Act*).

9. Dividends

The Directors do not recommend a dividend and no dividends were declared or paid during the year.

10. Events subsequent to balance date

There have been no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect subsequent financial years concerning:

- (i) the operation of the Company; or
- (ii) the results of those operations; or
- (iii) the state of affairs of the Company.

11. Likely developments and expected results

The Directors are not aware of any likely developments in financial years subsequent to 30 June 2012, which may significantly affect the operation and expected results of the Company.

12. Directors' interests

During or since the end of the financial year no Directors have received or become entitled to any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts) from a contract between the Company and themselves, their firm or a company in which they have a substantial interest.

13. Indemnification of officers and auditors

The Company has paid insurance premiums in respect of Directors' and officers' liability and legal expenses contracts. The Company has not indemnified the current auditors, KPMG. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

14. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' report for the financial year ended 30 June 2012.

15. Financial accommodation to Directors and associates

The provision of financial accommodation to Directors and associates of Directors does not contravene the Prudential Standards administered by APRA and is shown in the Company's accounts in accordance with applicable accounting standards.

16. Basis of preparation

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that Class Order amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The Directors have applied the relief available under ASIC Class Order 10/654 'Inclusion of parent entity financial statements in financial reports' effective 29 July 2010 to continue to present full parent entity financial statements as part of the consolidated financial report.

For and on behalf of the Directors in accordance with a resolution of the Directors:



John Baistow, Director

Signed at Melbourne on 4 October 2012



Helen Clarke, Director

Signed at Melbourne on 4 October 2012