



Steelsands Credit Union

Annual Report

2021

43rd Annual General Meeting

Thursday 11th November 2021

People helping People

NZCU Steelsands is licensed by the Reserve Bank and is not a registered bank

Our Mission

“Grow membership by delivering competitive solutions which recognise our members as individuals and help them create wealth through low cost high return products and services”

Our Vision

“To create financial freedom for our members through personal service based on flexibility, convenience and trust”

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**43rd ANNUAL GENERAL MEETING
STEELSANDS CREDIT UNION**

THURSDAY 11TH NOVEMBER 2021

via Zoom

Meeting Starts 6 pm

AGENDA

1. Welcome by Chairperson
2. A moment of silence held in respect of members who have passed
3. Apologies
4. Minutes of the previous Annual General Meeting held on 13TH October 2020
5. Matters arising from the Minutes
6. Chairperson's report
7. General Manager's report
8. Treasurer's report and Financial Accounts
9. Credit Committee report
10. Audit Committee Report
11. Proposed Rule Changes – Special Resolution
12. Remuneration of Directors
13. Appointment of External Auditors
14. Election of officers
15. General Business
16. Close of AGM

Steelsands Credit Union AGM Minutes 2019 -2020

Minutes of the 42nd

Annual General Meeting

Held on Tuesday 13th October 2020

at the Lions Club Rooms, Belgium, Waiuku

and via Zoom

Meeting opened at 6.09pm

Attendees: As per Signed Register – 18 qualifying members, 7 Guests (Total 25),
Via Zoom from Invercargill 15 qualifying members
Via Zoom from Marsden Point 12 qualifying members, 2 Guests (Total 14)

Guests who Attended Via Zoom:

Carol Cook Covenant Trustee's
Nick Summerfield - Anthony Harper
Craig Gold – Firefighters Credit Union
Alex Stone- Lane Neave

Total Quorum 45 qualifying members

Welcome by Chairperson Linda Bell

A moments silence was held in respect of members who have passed away during the past year.

Chris Brown
Te Whiu Anderson
Napi Kani
Hohepa Peita
Benjamin Hall
Thomas Laffey
Denise Thomas
Christopher Dodd (NZME)

Apologies 21 as listed on the register, no additions to be added to Apologies

Moved apologies to be approved: Linda Bell/Ivy Tapsell

Carried

Keith Robson Member
Louis King Member

Mark Fattorini	Member
Bridget Davies	Staff
Nicole Holmes	Staff
Micheal O'Rourke	Member
Richard Westlake	Westlake Governance
Michael Dineen	Michael Dineen Law
Joelle Grace	Lane Neave
Iain Taylor	NZCU Baywide
Gideon Rossouw	Member
Warren Hick	Member
Robert Blackie	Member
Roger and Christine Pope	Member
Mary Winsloe	Member
Leeanne Shaw	Member
Bede Kerr	Member
Murray Harrison	Member
Charlie Steel	Member
Dean Reid	Member
Gary Braithwaite	Member
Vaine Maurangi	Member
Michael O'Rourke	Member
Ahukona Hatalafale	Employees Credit Union
John and Pamela Varney	Member
Slavica Marsic	Chairperson of the Board

Introduction: Linda Bell Introduced the Board Members, exits pointed out and requested members named themselves clearly when speaking.

Minutes of previous AGM 24th September 2019

Moved Minutes be approved: Linda Bell/ Rhonda Clare ***Carried***

Chair's report: Linda Bell presented the Chair's report, Mark as read

Moved Chairs report be approved: Linda Bell/Lauren Morley ***Carried***

Linda Bell Introduced General Manger Bruce Ross to present the GM's Report

General Managers report: Bruce Ross presented the General Managers report,
Bruce opened the floor for questions. Mark as read

Moved General Manager's report be approved: Bruce Ross/Judith Wootten ***Carried***

Linda Bell Introduced Treasurer Paul Eves

Treasurer's Report: Paul Eves presented the Treasurer's report. Mark as read

Question re Financial Accounts from Rhonda Clare

Rev and Exp – Gone up 50% is there a reason, partly due to AML Solutions \$8k

Members Savings and loans insurance some discussion as to whether this was removed or not By Previous GM.

Bruce to investigate and report back.

Long Term Receivable \$90k – BCN's covered in note 12 page 15 of financials, \$90K is remaining value we will get over next 5 years.

Moved Treasurer's report be approved by Paul Eves/ Nicola Hardie **Carried**

Moved to approve Annual Accounts Paul Eves/Rhonda Clare **Carried**

Linda Bell Introduced Bhikhu Bhana to present the Credit and Audit Committee Report

Credit Committee Report Bhikhu Bhana presented the Credit Committee report. Mark as read

Moved Credit Committee Report be approved: Bhikhu Bhana/ Annette Morris **Carried**

Audit Committee report Bhikhu Bhana presented the Audit report. Mark as read

Moved the Audit Committee Report be approved: Bhikhu Bhana/ Steve Peddie **Carried**

Directors Remuneration – Linda Bell moved Directors remuneration be approved at \$40k (a decreased from the \$65k approved the previous year), taking into account, the current environment, the fact that only a small amount of the budget has been used, and that there will be 2 more Directors with the TOE This should be sufficient to cover general remuneration as well as potential to hire an independent Director if need be.

Rhonda Clare asked where it states director's remuneration in accounts – top of page 24

Moved that Director's remuneration for the next financial year of \$40,000 in total be approved:

Linda Bell/ Joy Cocks **Carried**

Appointment of External Auditors

Moved that BDO Auckland be engaged as NZCU Steelsands auditors for 2020 -2021 to be approved:

Linda Bell/ Lauren Morley **Carried**

Election of Officers:

Director's

Nominee	Status
Bruce Ross	Standing
David Hovell	Standing
Slavica Marsic	Standing
Paul Eves	Standing
Linda Bell	Standing

Bhikhu Bhana Standing
Hoani Cooper Standing

No Motion as all already standing

Call for items of General Business –

Directors term

It was noted that following the change to incorporation, the time period for Directors was currently unlimited under the rules. It was proposed that the rules should be changed to a 3 year term then alternating the elections. This will be put to the members at the next AGM or SGM (if earlier) to allow for the appropriate notice to members

Motion for Linda Bell/ Lauren Morley Carried

Discussion around TOE with Employees – How will we market to a new membership? With CU Auckland just down the road, Carry -on with strategy that Employees already have, go out to business that they already have a relationship with, also looking to expand into the community in all areas of our business. Expand on resources that we already have available to us via agency i etc, in Invercargill going to another branch of Alliance.

Marketing Budget? Using existing resources

CU Employees – loan book not in good shape? Are they bringing any equity. Yes they are bringing equity though at a lower level due to their losses. Loan Portfolio has had issues in the past and one of the conditions of the TOE Agreement is that we have an opinion from their Financial Auditor BDO. Issues with Impairment have occurred in the past and our due diligence focused in these areas with audits of loans, audits of the top 20 loans and delinquency trends over the last 7 months. This audit has shown some residual risk so a write-off of a portion of their delinquent loans was included in the agreement.

Will reduction of staff at Fletchers have an impact? Yes relatively low so far.

Concerns around TOE and impact on Steelsands CU of changes at New Zealand Steel, Marsden Point on Steelsands. Answer - A lot of analysis and comment can be seen in the Accounts and PDS cover off these concerns & we have completed a risk analysis of these area and discussed them with Covenant and Employees CU. The effect of this formed part of the reason for continuing with the TOE.

Ivy Tapsell took the floor to give thanks to the Credit Union and all the Staff for all the work that done for Members both of Credit Union and Social Club.

Close of AGM meeting

There being no further business the meeting closed at 7.09pm

Signed

_____ Bhikhu Bhana Chair

Our Board

Bhikhu Bhana

Director and Chair

Audit Committee Chair

Appointed to the Board in 2000

CUINZ Member

Retired from New Zealand Steel Ltd and BlueScope Steel in 2012 after 32 years of service

When I read the Credit Union motto and philosophy of " People helping People", I joined the Credit Union movement. I have been a member for over 20 years and on the Board for a number of years. I have been impressed and proud that at Steelsands we follow that principle. It's all about people. We give with an open heart and receive with humility.

Bruce Ross

Director and Secretary

Appointed to the Board in 2015

CUINZ Member

David Hovell

Director and Credit Committee Chair

Appointed to the Board in 2015

Employed at Refining NZ from 2008 -February 2021.

I share the values of the Credit Union movement and hope to see it grow in New Zealand.

Paul Eves

Director & Treasurer

Appointed to the Board in 2004

Prior Board Service: 1993 – 1999

CUINZ Member

Former Trustee NZ Credit Union Foundation & Collin Smith Memorial Fund Managers

Retired from New Zealand Steel Ltd

"If I am to dream, I dream alone. If we all dream together then we shall achieve..." Princess Te Puea

Slavica Marsic

Director

Appointed to the Board in 2001

Held Chairperson role 2006 – 2010

CUINZ Member

Employed as IS Principal Engineer at New Zealand Steel Ltd since 1991

I strongly believe in the Credit Union philosophy and with Credit Unions owned by their members it means the benefits go back into the communities and that is something he is proud to be part of.

Hoani Cooper

Director and Marketing Committee Chair

Employed as Group Manager Manufacturing Excellence at Alliance since 2017.

Previously Employed by NZ Steel Ltd

Stuart Rattenbury

Director

Employed by Fletcher Construction for 51 years (1967 to 2018) as a construction estimator.

Elected to the FECU Board in 2002, transferred to the Steelsands Board at the time of the transfer of engagements in December 2020

My primary concern is to look after our members and give them a voice at the Board table. I am committed to the principles of the Credit Union movement.

Shane Oerder

Director

Elected as Chairperson of NZECU Board from Feb 2018 – Jan 2021, transferred to the Steelsands Board at the time of the transfer of engagements in December 2020

Shane is a passionate advocate for customer - (and New Zealand) centric solutions, is an expert in overcoming the unique challenges presented by migrating to and integrating with cloud services, clearing the path to innovation at scale.

As a Director he strives to achieve collaborative decision making and leadership regarding the direction and strategy of the credit union. Compliance monitoring and best practice guidance.

Chairman Report

I would like to welcome our members, invited guests, staff and Directors to the 2021 NZCU Steelsands Credit Union Annual General Meeting. This year due to Covid Restriction we are unable to hold our normal face: face AGM, however it is wonderful to have you online.

Before we move into the meeting proper, I would kindly ask all present to take a moment to note those members and staff who have close relatives or friends who may have passed recently.

Steelsands appointed a new General Manager, Casey Parker. Casey comes to Steelsands with considerable experience in the Banking sector. Casey's enthusiasm in adopting the credit union's philosophy, and her strategic vision for the credit Union are most welcome. I would like to thank, Bruce Ross for his excellent work in the role of General Manager. Fortunately, Bruce will stay on as a director, and we will retain his experience, skills and commitment to our credit union.

The past year has certainly been eventful, firstly, the challenge to our business by Covid-19 has tested our resilience and has certainly had an impact on our financial performance over the past year. Covid 19 hit everyone in the first lockdown in April 2020. The second major lockdown occurred in August 2021 has been very significant for Steelsands. As the Credit Unions main point of difference was its people focus, the restrictions placed upon everyone by Covid has impacted Steelsands greatly as we lost the people interaction.

This year Steelsands have concluded our work with the Board of Employees Credit Union regarding a Transfer of Engagement (TOE). The transfer has had its challenges. The Board and staff have been progressively working on the amalgamation of systems and processes.

There was the recent announcement of the future of the refinery at Marsden Point. The uncertainty of future employment of many of our members, and the uncertainty of Covid effects has caused them to take a

more conservative approach towards lending. All the above factors have severely impacted Steelsands financial bottom line. The Board Finance group have been meeting weekly as they are confronted with these many moving factors. The Board have had to make difficult decisions, to improve the income stream we have had to increase fees. It was a decision not taken lightly, we do hope that members will understand that this current environment is unprecedented.

On a positive note, I am pleased to say that the Board, management and staff have risen to the challenge of continuing to provide members with the products and services they need to help them navigate their busy lives during this very trying period.

We farewell Board member Linda Bell, Judith Wootten, Rochelle Larkins, and Lani Mahuika, who have left Steelsands. I thank them all for their contribution to Steelsands.

On the broader credit union front, many of the credit unions and even building society have been working together to ensure that the needs of NBBDTs are understood by the Government and Regulators.

Finally, the team led by Casey, is committed to continue providing outstanding service to our many members on the basis of its philosophy of "People helping People". On behalf of the Board, I express our sincere thanks to them for all the work that they have done on our behalf over the past year.

Nga Mihi,
Bhikhu Bhana

Chair of NZCU Steelsands Credit Union on behalf of our Board: Slavica Marsic, Shane Oerder, Bruce Ross, Paul Eves, Hoani Cooper, David Hovell, Stuart Rattenbury.



General Managers Report

Welcome to all our Members, Board members, valued Staff and other guests to the Annual General Meeting 2021. It is my pleasure to provide a General Manager report for NZCU Steelsands this year. As you know, I have recently joined Steelsands as the General Manager after Bruce Ross retired at the start of this year. Bruce led the Credit Union very positively and had a strong vision during his time in the GM role. The Credit Union benefited greatly from his management experience and tenure as a board member prior to becoming GM. I would just like to express a sincere thank you to Bruce for your time in the role and for your support of me as I have stepped into the position. I have thoroughly enjoyed my first 10 months with Steelsands and very much look forward to the future ahead.

The Credit Union philosophy of *'People Helping People'* really resonates with me and stands out as a key differentiation point to that of our competitors in the mainstream market. While I do come with an extensive mainstream banking background having worked in banking for 16 years prior to joining Steelsands, it is this heartfelt philosophy of people helping other people in our own communities to achieve their dreams and goals which really motivates me to see this business prosper.

We know that the Credit Union industry has seen some downward turns in profitability across the sector in recent times, this is due to a number of reasons; one being our competitors are becoming more aggressive in buying their customers with attractive offers of Cash Back's and other shiny things and another being the interest rate market is increasingly difficult to compete with. While we are seeing some interest rate increases starting to happen in the market now which is a positive sign for savers in general, they still remain painfully low. The other key factor of course, being Covid-19. This has tipped the world on its head in many different ways. In the finance industry we have seen loan activity slow right down and during times of Lockdown, we have seen this activity grind to a halt. This is because our members are increasingly reluctant to enter into a finance agreement when their income or employment options may seem more uncertain. Our ability to lend money is our bread and butter and when that takes a long term hit as we have seen over the last 18-24 months, the future can seem a little less bright.

However, my experience in knowing how our competitors operate and what is driving their decisions will help us to make the right moves to ensure we can stay here long into the future, so that together with our members, we can do exactly what we have always done which is *People helping People*. A member who borrows money from us pays an interest rate which enables us to pay interest back to the people who are saving with us. In turn, those savers help us to lend money to those members who may be looking for assistance to purchase a new item, renovate their home, replace their car, fund their children's education or pay for their wedding or other such special family event. These moments in a member's life are key moments of truth for them and if we can assist them to achieve these personal dreams and financial goals then we are all working together as a collective group of people helping our people, and That is a pretty special place to be.

So, as we know, our costs have increased, and our income has decreased over time. This is a challenging balance to get right. We continue to explore all options we have available to us to find ways to ensure we tip that balance back to a point of being profitable again so that we can get back to a point in the future of rewarding our members with great interest rates, low fees and paying dividends to the people that own the credit union – our members.

Some key challenges that we have faced this year are:

- Keeping a close eye on competitor interest rates and ensuring ours remained within market while not affecting our bottom line as much as possible.
- Looking at ways we could recuperate money lost through decreased loans and income experienced over time.
- Balancing our Risk Weighted Capital ratio to ensure we don't enter a breach with our regulators. This continues to be an area of intense focus and scrutiny with multiple options being explored to get the Credit Union back to a point of a healthy buffer. The key way we need to do this is by lending out more money.

- A decrease in loan activity this year of 13% which is a slight improvement on last years decreased result of 16%.
- We continue to work on gaining new members to join the Credit Union. This has been challenging this year with numerous lockdowns in Auckland and across NZ, however we will continue to find ways to get out into our communities and wave the Credit Union flag.
- We continue to make losses every month. The costs of our industry such as Audit, Risk and Compliance and legal fees continues to grow every year. We are working hard to turn this around as quickly as we can, we have a strong 3year strategy that will enable us to play to our strengths and challenge the status quo to get as much leverage as we can to launch into a more profitable future.
- There is significant change in legislation happening across the Finance and Insurance industries which has a material impact on our business. We need to ensure we remain focussed on our responsibilities and protecting our members when it comes to borrowing money with us. We are very proud to say that we already do this very well.

We are very fortunate to have extremely loyal and supportive members and we will continue to keep the members at the forefront of every decision we make (even the more difficult ones) to ensure that the long-term goal is achieved of the Credit Union being around long into the future and becoming profitable again so we can continue our calling of *People Helping People*.

I am incredibly grateful to our wonderful members across all of our sites at NZ Steel Glenbrook, our Employees branch in Penrose, our Alliance Lorneville Plant, our Refinery plant at Marsden Point and our NZME members, I thank you all for being part of our Credit Union movement. I would also like to take this moment to thank our dedicated staff across all our branches, our committed board members and the supportive business partnerships we have with our Accountants at Baker Tilly Staples Rodway, our Auditors at BDO, our Regulators at Covenant and our multiple legal counsel who all support the Credit Union and want to see us enjoy a fruitful future for our members. I hope you will all continue to support us as we navigate through these testing waters.

I am excited about the year ahead which will be filled with new challenges and new and exciting opportunities for NZCU Steelsands. I look forward to working with each one of you long into the future.

Sincere Thanks to you all



Casey Parker
General Manager



Treasurers Report

I am pleased to present the audited annual financial statements of Steelsands Credit Union trading as NZCU Steelsands, for the year ended 30 June 2021. Our audited financial statements are in accordance with Public Benefit Entity Standards (“PBE Standards”) issued by the New Zealand Accounting Standards Board.

(At the time of writing my report the audit of our financial statements has not yet been fully completed; so there may be a minor variation between the figure stated and that which appears in the audited accounts).

It is clear that Covid-19 continues to have an extraordinary impact on us; and, of course, the wider community.

Interest rate volatility continues to be a challenge to us, and I expect that to remain the case for the short-term going forward.

So, how did we go during the past year?

We finished the year with a loss of \$387k, (2020 Loss -\$11k), I am comfortable that we maintain a very strong Balance Sheet and remain one of the financially strongest Credit Unions in New Zealand with a Capital Adequacy Ratio of 13.07%.

My thanks as Treasurer go to Casey Parker, whose first year is certainly giving her some unique challenges to overcome; and her team, whose hard work during the year meant that we finished the year better than what we might have done, all things considered.

What’s next?

How we navigate our way through the business challenges that Covid-19 and its variants pose will require us to rethink how and what we deliver in the way of products and services to our Members.

In closing, we have a new GM in Casey Parker; we have a footprint in Auckland that will enable us to seek out new Members, free from the constraints of closed sites; we still retain a very strong Balance Sheet; and we remain firmly committed, as always, to continuing to deliver products and services to benefit our Members.

Paul Eves
Treasurer



Credit Committee Report

On behalf of my fellow Credit Committee members Slavia Marsic, Bhikhu Bhana and Bruce Ross, I am pleased to provide our Credit Committee Report.

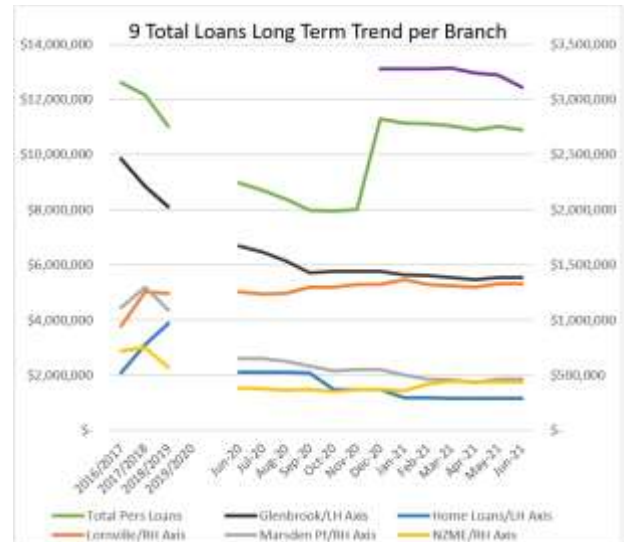
The Credit Committee reports to the Board and is focused on our loan portfolio and related policies. Our total loans continued to decline through the 2020/2021 financial year driven by two main issues, potential structural changes at our partner sites and the financial issues predicated by New Zealand and the world’s response to the COVID-19 pandemic. Reporting and monitoring of loan customers who found themselves in financial trouble as a result of COVID-19 was introduced.

Potential changes at NZ Steel and Refining NZ have seen the level of loans at Glenbrook and Marsden Point continue to decline, largely offset by increases at the other sites and the TOE with NZCU Employees Credit Union. The ongoing impact of the pandemic and lockdowns in NZ has resulted in a drop in loans as our members decided not to renew loans as their term finished or paid them off as protection of their financial situation. This combined with the Board’s conservative strategy with our risk-weighted capital (RWC) ratio due to potential changes listed above, has led to a reduction this year in our loans at existing branches of 13%. However, the addition of Employees Credit Union loans meant the reduction year on year was actually only 1%.

Due to our TOE with NZCU Employees Credit Union, our RWC ratio ended the financial year at just above 12% which has limited our capacity to offer new home loans.

The chart below shows that personal loan levels are slightly below the same time last year, while housing loans have also moved down for the financial year ended 30 June 2021. This has changed the personal loans balances across our branches with further falls in personal loans at Glenbrook due to changes at New Zealand Steel. Added to this were the drops in personal loans at Marsden Point, whilst NZME and Alliance Lorneville have grown slightly. The chart below shows the movement at each branch for

personal loans. The board has made some decisions around the dropping loan trend and has implemented a number of activities within the operation to improve our loan position.



Strong support has been provided by Branch Managers and loans officers while working with us to approve loans and we thank them for that continued support.

David Hovell
Credit Committee Chair



Internal Audit Committee Report

The Audit Committee consisted of Linda Bell, (Chair), Bhikhu Bhana, Hoani Cooper, Stuart Rattenbury. The committee was ably supported by the Risk & Compliance Manager, Rachel Stenhouse, and Accounting and Member Services Manager, Judith Wootten. During the year Linda and Judith left the audit committee. Hoani and Stuart were appointed to the committee.

The Audit and Risk Management committee is responsible for the Risk Management Framework and Risk Management Programme. The role is to review the Risk Management Programme and internal controls. Also, to maintain communication with the external authorities as required.

The Monthly Audit report and high-risks review continues to be a key agenda item for our monthly meetings. Our work on our Risk Register continues, as we continually strive to ensure we have all current risks, and upcoming risks are under review and the necessary controls in place.

The key risks can be categorised in 5 main areas. Steelsands has 5 committees: Asset and Liability (ALCO), Credit, Marketing (MIST), Risk & Audit and Crisis Management. Each of these committees have ownership a Policy under their area of responsibility. This is a deviation from the past where the whole Board would review all the Policies on an annual basis.

Steelsands was audited by BDO Auckland. The details of the reports are being finalised, and indications are for a favourable report.

The Risk Management Framework and Risk Management Programme policy was reviewed to align

with the requirements of the Non-Bank Deposit Takers Act. The Risk Register was also reviewed and totally updated as part of a review by our Supervisor

Under the Financial Services Legislation Amendment Act and the new Code of Conduct. Steelsands has successfully applied for a transitional licence in 2021, as a Financial Advice Provider, with full licensing being required by March 2023

Without doubt the challenge of this year has been the effects of COVID-19. From a Health and Safety and an Economic viewpoint, there were many challenges. The Crisis Management committee regularly met up to several times per week to implement the Business Continuity Plan (BCP) and update the Risk Register.

The committee thanks all those who helped Steelsands during this difficult time. A special mention to our fellow Credit Unions that worked together in a cooperative manner, that underlies the Credit Union ethos.

As a result of this direction by the members to remain, the Board have reviewed our strategy to look at other options to increase the Risk Weighted Capital Ratio value.

The Risk and Audit Committee wishes to thank the staff for their efforts and co-operation.

Bhikhu Bhana
Internal Audit Committee Chairperson



STEELSANDS CREDIT UNION

BOARD NOMINATIONS

AGM 2021

Directors

No Re-elections Due

Nominee	Status	Nominator	Seconder
Bruce Ross	Standing		
David Hovell	Standing		
Slavica Marsic	Standing		
Paul Eves	Standing		
Stuart Rattenbury	Standing		
Hoani Cooper	Standing		
Bhikhu Bhana	Standing		
Shane Oerder	Standing		

Resignations

None
