

People's Choice Credit Union Annual General Meeting 2015

Address by John Cossons, Chair



People's Choice demonstrated strength and resilience in 2014 / 15, thriving despite the sustained tough economic environment in which we continue to operate.

Balancing careful cost management with measured investment in the growth of the business ensured we maintained our overall profitability while achieving our strategic goals.

Our business performed well through the year, with several months of record residential lending, strong momentum with financial planning and solid balance sheet growth overall.



Headline results

- Net profit after tax increased slightly to **\$25.66 million**
- Assets under management grew strongly by 13.78% to **\$7.59 billion**, with total assets under management and advice up 13.85% to **\$8.99 billion**
- Member retail deposits grew by 13.06% to **\$4.50 billion**
- Loan balances increased 13.79% to **\$6.64 billion**

Full year financial results were ahead of budget and up year on year, with a few lower-than-anticipated sales results in some areas. Net profit after tax of \$25.7 million, slightly higher than last year, represents a strong result during this continued period of subdued consumer confidence.

People's Choice ended the 2014 / 15 year with total assets of \$6.895 billion, plus \$697 million of third party loans, and our funds under advice grew to more than \$1.398 billion – all highlighting a resilient trend of sustained business growth.

Our profits will be reinvested to further improve our products, services and pricing, to broaden access for our members and to make a difference to the communities in which we live and work.

Chair's report



Operating environment of contradictions

- Historically low interest rates are encouraging borrowing and spending to a moderate extent
- Consumers remain cautious and concerned about housing affordability
- There is good business to be gained and growth to be achieved
- We're optimistic about the economy and our future

Financial institutions continue to operate in fairly uncertain global economic times.

At the national level, we have historically low interest rates, yet consumers are also experiencing a growing level of anxiety about housing affordability, particularly along the eastern seaboard of Australia.

Record low interest rates are encouraging borrowing and spending to a moderate extent, with stronger business and residential lending occurring. However, the surge in property prices in Sydney and Melbourne is not being felt nearly as strongly elsewhere around the country.

We are now used to operating in a challenging and competitive market, with consumers generally apprehensive and lacking confidence. Yet we are finding there is good business to be gained and growth to be achieved, though perhaps not at the higher levels we would ideally like to see.

We anticipate this contradictory environment will continue for the next year or two at least, but overall, we're optimistic about the economy and our future as one of Australia's most successful credit unions, and a strong competitor to the bigger banks.

Chair's report



Financial System Inquiry

- We're pleased with the recommendations made by the FSI Final Report
- Implementation will produce a stronger, fairer and more competitive industry
- We have been vocal in the media about the need for equality at all levels in the industry
- We remain closely involved in COBA strategic vision project



We were pleased with the recommendations made by the Federal Government's Financial System Inquiry Final Report in December 2014. The implementation of its recommendations will produce a stronger, fairer and more competitive industry.

This inquiry was the direct result of pressure from the mutual sector and others, and we provided detailed input into the Customer Owned Banking Association's submission to the Inquiry to ensure our interests were promoted and that we achieve more competition in banking to benefit our members.

We welcome moves by the Australian Prudential Regulation Authority in July 2015 requiring the Big Four banks and Macquarie to increase their capital reserves against their home loan portfolios.

We also applaud the Government's recent response to the Inquiry's Final Report, supporting 43 of 44 of the Report's recommendations.

These significant reforms are welcome steps towards a more level playing field – closing the gap between the big banks and mutuals.

At last year's AGM, we outlined how People's Choice and our larger mutual banking peers had encouraged COBA to develop an industry vision to which we can all be held to account.

The resulting strategic vision project has progressed slower than anticipated over the past year; however, People's Choice remains closely involved as a leader in the mutual banking industry. We remain optimistic that this project will bring long-term benefits to the sector and our members.



Returning to your credit union, I am pleased to report that during the year the Board approved our strategic plan to 2018, affirming our future position from member and business perspectives.

We continued to pursue growth of our business through the fulfilment of our key strategic goals: to be the preferred banking alternative, to grow our membership, to build a stronger credit union and to make a difference in the community.

Investment in infrastructure – both physical and digital, development of staff, and strengthening the economic and social wellbeing of members and the community remained top priorities for People's Choice throughout the year.

The graphic features a green header with the text "Chair's report" and the People's Choice Credit Union logo. Below the header, the text "Other recent milestones" is followed by a bulleted list of three items: "TIO acquisition strengthens 45-year presence in Northern Territory", "Roy Morgan Credit Union of the Year Award for Customer Satisfaction", and "Chief Executive and Managing Director Peter Evers retired on 25 September 2015 after 27 years with the credit union and 15 years as Chief Executive". To the right of the list is a silver award ribbon with a star in the center, containing the text "CUSTOMER SATISFACTION AWARD", "Roy Morgan Research Group", "PEOPLE'S CHOICE CREDIT UNION", "CREDIT UNION OF THE YEAR AUSTRALIA", and "2014".

Our deep understanding of the Northern Territory economy and communities, built from 45 years of doing business in the Top End, was instrumental in our successful bid for TIO's banking operations from the Northern Territory Government. This acquisition reinforces our commitment to the growth of our business and the future prosperity of the NT.

People's Choice received Roy Morgan's 2014 Credit Union of the Year Award for Customer Satisfaction. Such an acknowledgement recognises that the investments made across the business, based on member feedback, are doing what we intended: supporting our members and their financial futures.

Peter Evers, our long-serving Chief Executive and Managing Director, retired on 25 September 2015 after 27 years with the credit union and 15 years as Chief Executive.

Since becoming Chief Executive of the former Australian Central Credit Union in 2000, and Managing Director in 2003, Peter led its growth through to the merger with Savings & Loans Credit Union in 2009 to create People's Choice, and in 2000, Peter was central to the merger with NT Credit Union, which was the catalyst for the 15 years of strong growth since. People's Choice, under Peter's leadership, has cemented its position as one of Australia's largest and most successful mutual banking organisations.

Peter's decision to retire reflects his confidence that the time is right to hand the reins to a new Chief Executive to lead People's Choice through its next phase of growth.

The Board wishes Peter well in his retirement and thanks him for his commitment and leadership over the past 27 years.

Chair's report



Looking ahead

- Consumer caution expected to continue, but People's Choice is well positioned for business growth
- We will develop our business and invest in our people, our products and our technology
- First quarter results have been promising

Looking ahead to the next 12 months, we're expecting consumer caution to continue, however we remain well positioned through this period as we maintain a careful focus on costs while investing in our future growth.

As we develop our business and invest in the things that make us different – our people, our products and our technology – we believe we can outperform the market in a material way.

Our first quarter results have been pleasing, and demonstrate that if we continue to be focussed, passionate and energised, we'll be the preferred banking alternative for our growing membership, now and into the future.

Before handing over to Darlene, I would like to pay tribute to our executive team and all of our staff who provide an outstanding level of service and professionalism. Their leadership of the opportunities and challenges throughout the year has ensured we maintain a strong position in the industry.

I would also like to thank you, our members, for your continuing support. We are excited about the future and remain dedicated to working together to strengthen our credit union, serve our members better and invest in our people and communities.

Thank you.