



People's Choice has performed well in a challenging environment, delivering strong results while laying the foundations to ensure long-term sustainability for our members.

A collective focus on better understanding our members' lives and how we can more effectively support them has begun an exciting period of transformation.

Our determination to improve member experience has resulted in the credit union's strongest net member growth for years. People's Choice welcomed 21,587 new members during the past financial year and increased net membership by 7,937 members, taking total membership to 360,000.



We are amongst the leaders in the banking sector in our ability to attract and retain members. This is reflected in our high levels of member satisfaction and trust – this in turn drives the willingness of our members to recommend People's Choice.

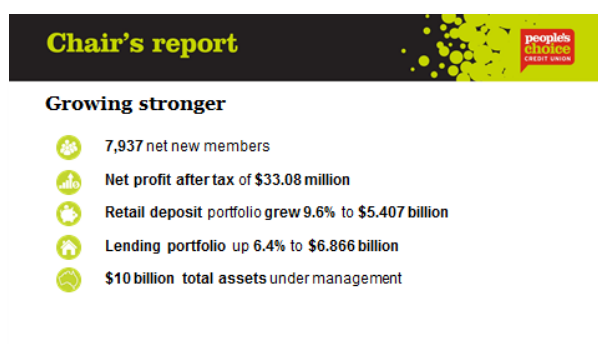
During 2016/17, we began measuring the extent to which our members trust us, are loyal and are willing to advocate for us through the net promoter score. Net promoter score is obtained by regularly surveying members to establish whether they are:

- Promoters: who are loyal, enthusiastic fans;
- Detractors: who are unhappy; or

- Passives: who are satisfied.

The average net promoter score in our industry currently is +9. Our score is +44, the second highest score nationally out of all the financial institutions that we track, including the big four banks.

People's Choice received further recognition for trust, service and member satisfaction during the year, winning the Roy Morgan Building Society/Credit Union of the Year Award for Customer Satisfaction for the second time in three years, as well as Mozo awards for Highly Trusted and Staff Friendliness. These awards are based on independent surveys of our members and other banking customers.



As our membership grows, so too do our deposit and lending portfolios. Our retail deposit portfolio grew 9.6% to \$5.407 billion in 2016/17 – well above the national market's performance. More than half of our members start their relationship with People's Choice through some form of deposit account, and this relationship usually expands over time to lending and other services. So our strong deposit growth is a promising indication of long-term growth across other portfolios.

Our lending portfolio growth of 6.4% to \$6.866 billion in 2016/17 was also above the national market average and in line with our targets. This growth led to our residential lending portfolio surpassing \$6 billion in December 2016. This was an especially strong result when taking into account the fact that the economies of South Australia and the Northern Territory – where a large proportion of our lending is traditionally based – are not growing at the same pace as the eastern states.

While we are not in the business of generating large profits for shareholders like the major banks, it is important that we generate sufficient profit each year to provide capital to lend, grow and invest in improving our products and services for you, our members.

Our net profit after tax of \$33.08 million demonstrates our continued ability to generate revenue and manage costs carefully in an environment of sustained low interest rates and when economic volatility is the new normal.

The slight reduction in net profit after tax in 2016/17 compared to the previous year was partly due to the ongoing shift of members' lending products to lower rate package products; a trend seen over recent years. This reflects People's Choice's commitment to providing members with a selection of products to cater to their specific needs, coupled with fair and competitive pricing. People's Choice also commits to prudent investment to improve our products, services and technology for members, today and into the future.

People's Choice ended the financial year with total assets under management of \$8.291 billion and funds under advice of \$1.696 billion, taking total funds under management and advice to just under \$10.0 billion – a 3.5% increase on the previous financial year.



The Board and Executive team undertook a robust strategy and planning process during 2016/17. This has resulted in a Strategic Framework that aligns every staff member's activities to our Purpose and Vision through cascaded targets and goals.

At the heart of this framework is our new Strategic Plan 2017 to 2022: our blueprint for the future which charts the course for People's Choice to evolve based on the three strategic outcomes of differentiating, enabling and growing. Our Strategic Plan 2017 to 2022 has been developed in consideration of the external and internal environment, based on comprehensive research and review to determine where and how to position People's Choice for future success as a sustainable and growing mutual.

As part of this process, we also reviewed and refined our Purpose to 'Working with our members for a better future' to express the heart and soul of who we are as a

mutual. We also simplified our Vision 'To be the most trusted financial services provider in Australia'.

Our Managing Director, Steve Laidlaw, will share a video about our new Strategic Plan shortly.



The Australian banking system continues to be highly concentrated and major banks benefit from a regulatory system that has helped embed their dominant position. After years of calls for a more level playing field to allow the customer owned banking sector to compete more fairly with the major banks, we saw some promising breakthroughs in 2016/17.

We welcome the Federal Government's Hammond Review of Reforms for Cooperatives, Mutuals and Member-Owned Firms and the Productivity Commission's Inquiry into Competition in the Australian Financial System as positive steps towards genuine regulatory reform.

There is widespread acceptance that the major banks unfairly benefit from an implicit guarantee provided by taxpayers. This implicit guarantee gives the major banks a significant funding cost advantage which is far higher than the Federal Government's levy on the five largest banks.

The major banks are given another advantage by the regulatory framework because they are permitted to effectively calculate the amount of capital they hold against mortgages. This means that major banks hold much less capital against mortgages compared to other competitors including People's Choice.

Customer owned banking organisations such as People's Choice raise most of their capital through retained earnings and have limited access to additional forms of capital. This potentially limits our ability to make strategic investments in a range of areas including acquisitions and technology.

The Federal Government is currently conducting a separate inquiry process to look at capital-raising for mutual institutions in Australia. We are engaging with the Australian Prudential Regulation Authority and our industry bodies, the Customer Owned Banking Association and the Business Council for Cooperatives and Mutuals, to develop capital options for customer owned banking institutions.

We strongly support revisions to the capital framework to allow a mutual to issue capital as a positive step forward for the growth of the mutual banking industry. In particular, these proposed changes will enable efficiency and be a welcome move towards competitive neutrality within the Australian banking industry.



At last year's Annual General Meeting, we welcomed the appointment by the Board of a new non-executive Director, John Patton. With extensive retail banking and risk experience including in the mutual sector, and a background as a chartered accountant. John was appointed following a selection process to ensure the Board has the appropriate mix of experience and skills to govern in the best interests of members.

Our Chief Executive Officer Steve Laidlaw was appointed Managing Director on 1 September 2017.

Our long-serving Director Jan McMahon retired from the People's Choice Board on September 1, and the Board wishes Jan all the very best for the future and thanks her for her commitment and service to People's Choice.

It is with great sadness that I acknowledge the passing of two retired Directors during the past year.

Our former Chair Bill Cossey AM passed away in July following a brief illness. Bill retired from our Board in 2014 following 15 years of service since his appointment as a Director of Savings & Loans in 1999. Bill stewarded the growth of the credit union

and, along with the joint Boards, was instrumental in the transformational merger with Australian Central Credit Union in 2009 to create People's Choice.

Former Deputy Chair of NT Credit Union Joe Smith passed away last week. Joe was one of the two directors who joined the board of Australian Central as a result of its merger with NT Credit Union in 2000. He was proud of his achievements with the credit union and supported its growth through the merger with Australian Central.

Our deepest sympathies are extended to Bill's and Joe's family and friends.

The Board continues to engage in succession planning to ensure it has the appropriate mix of experience, skills and diversity to govern in the best interests of members.

The People's Choice Constitution stipulates the Board may appoint up to two non-executive Directors, in addition to the member-elected Directors.

I am pleased to announce today that following a rigorous Nominations Committee review process, the Board has filled one of these positions by appointing David Cartwright as a Director with effect from 12 December this year.

An experienced non-executive director and business advisor, David Cartwright has broad experience across financial services, health and technology businesses in the private, mutual and government sectors. David has held directorship roles in companies in Australia, Asia and the UK, most recently as a non-executive director of Melbourne Health and Superpartners. He is also a founding partner of a rapidly growing advisory business specialising in the areas of strategy, digital disruption and transformational change.

David's executive career in financial services, technology and business services spanned 30 years; the past 20 in Chief Executive Officer / Managing Director / Executive level leadership roles in multibillion dollar businesses, most recently at ANZ Bank as Group Chief Operating Officer and a Management Board member.

David is with us in the audience today, so David would you mind standing for us. David will join us for refreshments following the meeting, and I know he's looking forward to meeting as many members as possible. Congratulations David.

The Board has once again played an integral role in the success of People's Choice throughout the year and the development of our Strategic Framework for the future. It has been a very successful year for People's Choice and we thank our Executive

# Chair's Report

## 2017 Annual General Meeting



team and staff for their passion and commitment to ensuring we achieve our objectives while driving a considerable amount of change that is needed to ensure we make the most of our opportunities.

I would also like to thank you, our members, for your continuing support. We are excited about the future and remain dedicated to building a credit union that is the most trusted financial services provider in Australia.