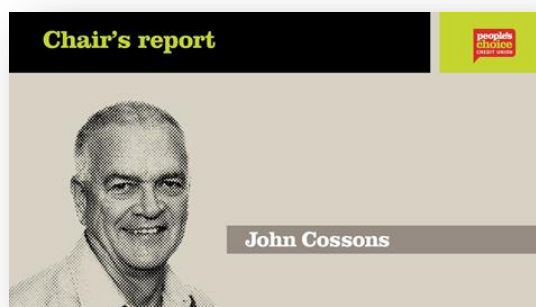


# People's Choice Credit Union 2016 Annual General Meeting



## Chair's 2015 / 2016 Report



In 2015/16, People's Choice made strong progress towards its vision to be acknowledged as the most trusted financial services provider in Australia, achieving strong member growth, record net profit after tax and strong growth across a range of products and services.

As a credit union, our purpose is to act in the best interests of our members and to ensure every decision we make and every initiative we undertake has a clear focus and benefit to our members. We remain committed to the mutual model, and this focus on our members has sustained a long-term trend of member growth.



We welcomed 23,457 new members to People's Choice during the year and achieved net member growth of 4,633 members. We have strong aspirations and a strategic focus to grow our membership further by continuing to attract new members and retain our existing members.

Our net profit after tax of \$35.95 million was a very strong result during a continued period of economic volatility and record low interest rates.

Increased sales revenue and strong portfolio growth contributed to our growth in profitability in 2015/16. Member retail deposits increased by 10% to \$4.936 billion and member loans and advances increased by 8.6% to \$6.450 billion.

While we are not in the business of generating large profits for shareholders like the major banks, it is important that People's Choice develops the necessary profit each year to ensure our long-term sustainability, to invest prudently in improving and delivering products and services for members that enhance their financial wellbeing, and to make a difference to the communities in which we live and work.

People's Choice ended the financial year with total assets under management of \$8.051 billion and funds under advice of \$1.594 billion, taking our total funds under management and advice to a record \$9.645 billion – a 7% increase on the previous financial year.



Economic volatility has become the new normal and Australia continues to experience mixed levels of consumer and business confidence.

While the economic outlook can appear uncertain, national property price growth remains solid. Auction clearance rates and buyer sentiment are also trending up despite repeated attempts to cool the market through adjustments to regulation and monetary policy.

People's Choice is well placed to operate effectively in these conditions, managing costs carefully and growing as a brand that resonates in the marketplace as a genuine alternative to the big banks.

As a credit union, People's Choice is committed to fair pricing for the benefit of all members and our long-term sustainability. This is a careful balance to ensure we continue to provide competitive returns for our large number of depositors, while offering competitive home loan rates that are a genuine alternative to the big banks.

Our Vision to be acknowledged as the most trusted financial services provider in Australia has never been more relevant than today. The key word here is trust. In recent times, nothing has further underlined the importance of the mutual sector based on some of the behaviours we have seen by the big banks.

This highlights the strength and value of People's Choice and the broader mutual sector. Our owners are our customers. We have a purity of purpose which is to do the right thing by our members.

Not surprisingly, research has shown that once these differences are explained, two thirds of people prefer credit unions over traditional banks. So the many Australians who are disaffected with the big banks have a real alternative, and this is a message that we and our sector must unite behind and communicate broadly.

Despite encouraging recommendations to promote competition and consumer choice in the 2014 Financial System Inquiry, regulations continue to heavily favour the major banks.

For example, major banks hold much less capital against home loans than other institutions which provides a significant advantage. The implicit Government guarantee enjoyed by the big banks must also be dealt with.

The Financial System Inquiry warned that the banking sector is concentrated and this could limit the benefits of competition in the future, yet most of its recommendations are yet to be implemented.

We continue to support our industry body, the Customer Owned Banking Association, in its efforts to urge the Government to prioritise competition and promote consumer choice by implementing the recommendations from the Financial System Inquiry and the Senate Inquiry into Co-operatives and Mutuals.

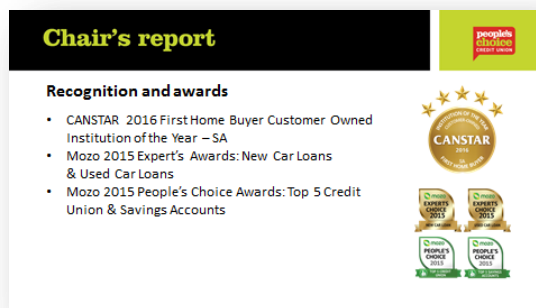
Healthy competition drives the best outcomes for consumers, and a competitive retail banking market is vital for Australia's economy, for strengthening our financial sector and to provide real consumer choice.

A truly level playing field is required so that mutuals can compete fairly and more effectively with the big banks to reduce their market domination, return their focus to customers, and help bring them into line with what Australians expect.



We continued to pursue the growth of our business during 2015/16 through the implementation of our four Strategic Directions: to be the preferred banking alternative, to grow our membership, to build a stronger credit union and to make a difference in the community.

These four Strategic Directions are the broad priorities that have been tailored to drive the achievement of our Vision by forging a stronger and deeper relationship with all of our members. Our CEO Steve Laidlaw will speak further about how we delivered on our strategy during 2015/16.



People's Choice was named CANSTAR's 2016 First Home Buyer Customer Owned Institution of the Year – SA, judged as having the strongest combination of products and services of any customer-owned financial institution for first home buyers in the state.

People's Choice also received double honours at Mozo's 2015 Expert's Awards in the New Car Loan and Used Car Loans categories, and double honours in Mozo's 2015 People's Choice Awards as one of Australia's Top 5 Credit Unions and for Savings Accounts.

This growing collection of accolades demonstrates the quality of service and products we offer our members.



Following the retirement of our former Chief Executive and Managing Director Peter Evers in September last year, Steve Laidlaw was appointed Chief Executive Officer in December. Steve commenced this role in January 2016, and Darlene Mattiske-Wood was appointed Deputy Chief Executive in the same month.

The Board congratulates Steve and Darlene on their appointments, and thanks Darlene for her service as Acting Chief Executive following Peter's retirement and Steve's appointment to Chief Executive Officer.

After ten years as a Director, Mark Day will be retiring from the People's Choice Board when he completes his term at the conclusion of today's Annual General Meeting.

Since joining the former Savings & Loans Credit Union Board in 2006, Mark has made a significant contribution to the strategy and governance of our credit union. This has included the transformational merger between Savings & Loans and Australian Central Credit Union in 2009 to create People's Choice and also chairing the Board Risk Committee.

The Board wishes Mark all the very best for the future and thanks him for his outstanding commitment and service to People's Choice.

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

The People's Choice Constitution stipulates the Board may appoint up to two 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 John Patton as a Director, effective at the conclusion of today's AGM.

John brings considerable strengths to the Board. These include his extensive retail banking experience as former Chief Financial Officer with Adelaide Bank and as a Director with Rural Bank, his background as a chartered accountant, and his detailed understanding and leadership of risk – including in the mutual sector through Adelaide Bank's former guise as the Co-operative Building Society of South Australia. While a Director of Rural Bank, John chaired the Risk & Audit Committees for a number of years.

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

Looking ahead, the strength of our culture and core focus on acting in the best interests of our members and the community means we are uniquely placed to embark on the next stage of our journey. We are structuring our whole business around this concept through our Member-Centric Operating Model to ensure that every minute of every day is dedicated to achieving our Vision.

A Strategic Plan for 2016/17 is currently being implemented, including a number of multi-year programs and initiatives that will be a focus for the coming years.

While the first quarter of 2016/17 has been challenging in terms of sales, we are seeing signs of improving market conditions in recent weeks to support a stronger second quarter.

A new five-year Strategic Plan to 2022 is also being shaped, which will guide us in bringing our Vision to life.

Before handing over to Steve, 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 serve our members better, strengthen our credit union, and invest in our people and communities.

Thank you.

## Chief Executive Officer's 2015/16 Report



Thank you, John, and good morning everyone. Today I'm going to provide some further detail on our performance during 2015/16, and the implementation of our four Strategic Directions: to grow our membership, to be the preferred banking alternative, to build a stronger credit union and to make a difference in the community.



People's Choice's most fundamental measure of success is how we support our members. In 2015/16, we helped 9,191 members to buy their home and 14,707 members to buy a car, finance a renovation and finance a holiday. People's Choice also protected 38,903 members with home and contents insurance, mortgage repayment protection and Mutual Aid.




Of the 23,457 new members People's Choice welcomed during 2015/16, 44% were under 30 years, demonstrating the credit union's ability to attract new generations through a compelling brand and the benefits of membership.

People's Choice engaged 1,766 members in an entirely new way in 2015/16 through an online community created to gain valuable member feedback and insights called The Green Room. I urge all members to visit our website to learn more, and to get involved to help us improve how we serve you.

**Chief Executive Officer's report**

**Our strategy: Be the preferred banking alternative**

- New Flinders Street branch and renovation of Mt Barker branch
- Replaced or upgraded 130 rediATMs across Australia to improve access and functionality for members
- New internet banking, apps and increased security provide the foundation for new member functionality
- Among Australia's first to offer Android Pay



People's Choice's branch refurbishment program continued through the year with the opening of the flagship branch at our new head office in Flinders Street, Adelaide, and a full renovation of the Mount Barker branch.

People's Choice also replaced or upgraded 130 rediATMs to improve access and functionality for members. rediATM is one of Australia's largest ATM networks, with more than 3000 ATMs across the country, so this is a major benefit of membership with People's Choice.

In the first quarter of 2016/17, we advised members of our decision to close branches at Nuriootpa, Aberfoyle Park and Burnside, as well as our WA retail banking operations. These are very difficult decisions, and I understand they can be an unwelcome change for those members who regularly use these branches.

It is essential that we invest our members' funds into our credit union for the greater benefit of all our members, including those who prefer to bank online and those who prefer to bank in much higher numbers at other branches. Transactions across these four locations have been reducing for some time, indicating more members are using other channels to bank with us, so the need for a physical location has become less necessary.

I can assure affected members that they will continue to be supported through our alternative branch locations, our internet and phone banking, our apps, our mobile lenders, the extensive rediATM network and through bank@post at Australia Post outlets.

We will continue to regularly review our branch footprint, and we are investigating opening a presence at the new Royal Adelaide Hospital site, and potential opportunities in Melbourne.

Through our continued investment in our digital platforms, we are able to welcome and support members throughout Australia – from Perth to Cairns – regardless of their proximity to a branch.

In 2015/16 we launched a new internet banking platform with a number of enhancements based on member feedback. We also upgraded our mobile banking apps and increased online security with secure code verification.

These improvements provide the foundations for us to develop new functionality for the benefit and convenience of members over the coming year, including the ability to turn on and off payWave and access to foreign ATMs and purchases, change PINs, deactivate and report lost cards, activate new cards and use a digital wallet within the People's Choice app for Android.

People's Choice continues to invest significantly in mobile digital and payment technologies, including being among the first financial institutions in Australia to launch Android Pay in July this year.

**Chief Executive Officer's report**

**Our strategy: Build a stronger credit union**

- Flinders Street head office completed
- 88% staff engagement – among top employers
- 29,313 hours of training and development
- Launched Financial Planning Internship and Graduate Program
- White Ribbon Workplace Accreditation progressing



A further highlight has been bringing together our staff from three separate locations into our new five-star green-rated head office on Flinders Street in Adelaide. The new activity-based working style and smaller footprint of our headquarters has reduced energy bills and maintenance costs, and the simple, modern design, technological innovation and functional efficiencies are giving us the agility and focus we need to ensure that everything we do is in the best interests of our members.

The sustained engagement of staff is demonstrated by the results of our Values & Engagement Survey, which places People's Choice among the top employers, with 88% staff engagement and 91% of its people agreeing the credit union is living up to its values. These results, which outperform industry and corporate benchmarks, demonstrate continued efforts across our business to build a strong values-based culture.

People's Choice furthered the investment in its people and the service provided to its members during the year, providing 29,313 hours of training and development, which included 1,113 hours of leadership development programs.

In 2015/16, People's Choice launched its inaugural Financial Planning Internship and Graduate Program. Targeting second-year commerce, financial planning, economics and accounting students, the program will transition a candidate through four stages of professional development over three years – from an undergraduate through to a qualified financial planner.

People's Choice has proudly committed to White Ribbon's Workplace Accreditation Program, joining the world's largest male-led movement to end men's violence against women.

In support of this commitment, the credit union is undertaking a thorough review of policies, procedures, training and communications to identify opportunities to empower and support staff to prevent and respond to the issue of violence against women.



**Chief Executive Officer's report**

**Our strategy: Make a difference in the community**

- Generated \$3.4 million for the community during 2015/16
- Made a difference to close to one million Australians
- 2016 People's Choice Community Lottery raised for a record 1,130 groups

The slide features two photographs: one on the left showing a group of people in a car, and one on the right showing a group of people standing together outdoors.

People's Choice remains firmly committed to supporting the economic and social wellbeing of members and the community. We contributed 3.1% of pre-tax profit to corporate community investment during 2015/16, five times the 0.61% average contribution made by major Australian and New Zealand companies.

Including funds raised through the Community Lottery and other programs, People's Choice generated \$3.4 million for the community during the year and made a difference to close to one million Australians.

The 2015 People's Choice Community Lottery helped 1,101 charities, sporting clubs, schools and community groups across Australia, and returned a record \$1,607,814 to the community. We recently drew the winners of our 2016 Community Lottery, which raised a further \$1,582,158 for 1,130 charities.

The impact of the People's Choice Undies Run continues to gain momentum, with a record 1,554 runners raising \$165,472 in the fight against bowel cancer at the January 2016 event. The Undies Run has now raised over \$600,000 for Cancer Council SA since its inception in 2013.



People's Choice continued to provide significant support to HeartKids, generating more than \$50,000 in 2015/16 through corporate donations, the People's Choice PJs Run in Melbourne and through the participation of 20 People's Choice senior leaders in SuperBoss Day, which raised \$18,000 to support children with paediatric heart conditions and their families.

A further highlight for the year was the introduction by People's Choice of RDA Race Day, which raised more than \$30,000 for Riding for the Disabled on Melbourne Cup Day. This was augmented by continued corporate support and the sale of Pony Banks in People's Choice branches, benefitting riding centres across the country.

People's Choice continued to be one of the largest supporters nationally of The Big Issue's Women's Subscription Enterprise, funding the safe employment of two disadvantaged women in Victoria and two in South Australia through 400 monthly subscriptions to the publication.

The credit union's partnership with Life Without Barriers to help young South Australians in foster care transition into adulthood continued to achieve life-changing results in 2015/16.

Thank you to all our members who have supported these community initiatives during the year.



People's Choice staff contributions to the community continued to be significant, with a 180% increase in participation year on year. Some 656 volunteers contributed 2,360 hours for 23 charities and community partner organisations.

People's Choice also renewed key sponsorships of the People's Choice BASSINTHEGRASS music festival in Darwin, the People's Choice Classic as part of the Santos Tour Down Under UCI WorldTour cycling event in Adelaide, and the Credit Union Christmas Pageant in Adelaide – all for a further three years to 2018. I look forward to seeing our SA members at the Pageant in a few weeks.