

Chair's 2016/17 AGM Address

Credit Union SA's performance in the 2016/17 financial year was strong and consistent in a market that presented many challenges, including difficult economic conditions, interventions by regulators to mitigate risk within the financial services sector, fierce competition and consumer confidence remaining low.

As a member owned financial institution, our focus is not on generating excessive profits to pay dividends to our shareholders, but is instead on maintaining a strong capital position to enable reinvestment into the organisation which in turn drives continued growth and enables us to provide our members with great value, benefits and service that best meet their needs.

The Credit Union continues to manage its risk and financial position prudently. However in order to continue to meet the challenges within the current market, as well as help our members to do more with their money, the Board have agreed to additional investment in strategic initiatives in the future and therefore a lower profit figure is considered appropriate in the coming financial year.

During 2016/17, Credit Union SA relaunched its brand position to members and staff, reinforcing our proposition to help South Australians do more with their money. We know what good financial service can do, and we believe helping South Australians do more with their money helps to build a brighter future for us all.

Our commitment to the South Australian education community continues through our innovative School Community Rewards Program, which provides parents and grandparents an opportunity to help fundraise for their child's school simply through holding one or more products with Credit Union SA. Sponsorship of professional development days and the DECD Public Education Awards continued, providing our state's educators with more opportunities to develop their skills and knowledge, which in turn benefits our next generation.

Our ongoing support of the South Australian community continued through our sponsorship of the Credit Union Christmas Pageant, as well as continued support of St John's Youth Services.

Regulatory Environment

Major banks have long held a distinct advantage over customer owned banking institutions, by benefiting from a regulatory system that has worked in their favour. Calls for reform to level the playing field have been unheard until recently. The introduction of the major banks being required to hold additional capital came into effect during the year, and this was seen as a significant step in evening up the playing field.

During 2016/17, two significant reviews were undertaken - the Federal Government's Hammond Review of Reforms for Cooperatives, Mutual and Member Owned institutions, and the Productivity Commissions' Inquiry into Competition in the Australian Financial System. They provided a significant step towards creating a fairer regulatory platform. An additional inquiry is under way in 2017/18 in relation to capital raising for mutual institutions in Australia. This is expected to enhance customer owned banking institutions' ability to raise capital, which has long been at a disadvantage to the major banks.

Credit Union SA does not have a short or medium term need for an external capital raising, but we are fully supportive of a fairer regulatory environment.

With our Regulators, APRA and ASIC, continuing their strong focus on risk culture within organisations, the Board and management have enhanced our already strong focus on risk culture within the Credit Union.

Experts believe that Australia continues to be well positioned for the future, with the Australian dollar remaining steady and inflation staying within expected levels, supporting employment and moderate growth.

South Australian Environment

The South Australian economy continues to grow more slowly than the rest of the country, as it has done for more than 30 years, with the number of young adults in the 15-34 year age bracket declining as they seek more opportunities interstate and overseas.

The South Australian economy is now heavily reliant upon small and medium enterprises, as well as private companies, as the number of medium and large businesses within Australia continue to move to the Eastern seaboard.

Although the economy provides a significant challenge to the growth of the Credit Union, the Board and management are confident that we have set strategic objectives and financial targets that are achievable and that the Credit Union is well positioned to continue performing and providing our members with competitive products and services.

Credit Union SA's four key strategic focus areas are:

- Grow membership and market share
- Become digital
- Strengthen the organisation; and
- Leverage our mutual points of difference.

These four focus areas provide the Board and management with the direction for the Credit Union to continue to grow and serve its members. Investment to support these strategies will be balanced with investment in the operational requirements of the business. However the Board and management are committed to achieving the strategic objectives.

In closing I would like to take this opportunity to acknowledge the commitment of the Board, CEO, management and staff and thank them for continuing to guide the Credit Union through the various challenges presented through the year for the benefit of our members.

– Alexandra Cannon

Chief Executive Officer's 2016/17 AGM Address

I am pleased to report a profit after tax of \$4.222m which was higher than budget and a very strong overall result in a challenging economic environment.

As outlined at last year's AGM, we planned for the last financial year to be a challenging one both from a retail perspective - with a highly competitive market for lending rates and product innovation - and from an economic perspective with the local South Australian economy expected to underperform. Although these issues were present, the Credit Union continued its year-on-year growth across all portfolios and momentum continued in the attraction and retention of new members.

The Credit Union reached a very important milestone as at 30 June 2017, with total assets growing by 8.8% to reach \$1.009bn, achieving this milestone ahead of schedule. Loans and advances increased by 13% to \$859m and member deposits continuing their favourable growth trend closing at \$899m being an 8% increase from 2016.

Over the last 12 months a continued prudent approach to financial management with an enhanced focus on margin management was adopted, together with progression of our strategic and operational objectives. This focus and priority has led to:

Continued strong membership growth with over 3,300 new members joining and a continued improvement in the number of new and retained members in the 15 to 35 year age bracket.

We helped 790 members with a new home loan and 490 members with a new personal and car loan during the year.

Over \$1.3m has been provided to more than 275 members in the form of our First Home Buyer's Grant, assisting these members get a foot on the property ladder and invest in their future.

Our insurance and financial planning services continued to be well supported by our members, with insurance coverage provided to over 5,600 homes and 9,500 motor vehicles and we helped over 315 members set a financial plan for their future.

Our digital transformation continued with the introduction of additional 'Pay' options and upgrades to our mobile apps, as well as our transition to electronic communications, with over 20,000 members opting to receive digital communications.

Members have continued to utilise our digital platforms with over 2.2 million log-ons to internet banking and 20,000 mobile app users which has almost doubled in 12 months, as well as many members utilising our 'webchat' functionality to live chat online to a Credit Union SA staff member.

In June 2016 we introduced the first of our digital wallet offering, Android Pay, with Apple Pay and Samsung Pay added during 2016/17, providing our members with the full range of mobile digital wallet 'Pay' solutions.

Our Member Contact Centre took over 175,000 calls from our members.

We had over 850 school visits and supported and attended 210 teacher conferences and events - reinforcing our commitment to the education sector.

During the year we continued the expansion of our School Community Rewards program with 7 new schools coming on board, bringing the total number of participating schools to 21. With the aim of the program to

increase value and share profits with school communities, we have raised over \$122k for participating schools since the program's inception in 2015.

Our ongoing partnership with St John's Youth Services continued throughout the year, with the Credit Union's financial support being channelled into the Next Step program which assists young homeless people break the cycle. Our staff and members are also generous in their support of St John's, with donated gifts for young homeless through the Christmas Wishing Tree which we have located at each branch and head office.

We made significant progress during the year in relation to our strategic initiatives and continued to see good traction in our home loan sales results, particularly through our First Home Buyers Grant and the broker channel.

Credit Union SA has recently been awarded 9 MOZO Experts Choice awards for 4 of our personal loan and credit card products. Although we do not seek accolades for our product offerings, it is always satisfying when external recognition is received, cementing our view that we only offer products and services that will help South Australian's do more with their money.

Focus has continued on investing in our people and the desired culture within the Credit Union, with a new performance management framework implemented building on the organisation's cohesive and cooperative approach between staff and leaders.

As part of our staff pulse cultural survey, in late 2016 we saw continued positive movement toward our desired cultural position.

We also continue to engage with members to seek their views on what is important to them.

The outlook for 2017/18 is consistent with prior years with:

- continued record low interest rates and a highly competitive market for lending and deposit products and ongoing product innovation and disruptors
- a state in transition.

These factors, together with enhanced regulatory focus on risk culture and conduct, residential lending concentrations and capital levels, indicate that the 2017/18 period will remain a challenging one for financial services. As we have over the past several years, we acknowledge the challenges however will continue our focus on members, the prudent financial management of the Credit Union and the longer term strategy to ensure a strong and successful organisation into the future.

Consistent with the previous three years, the business transformation process continues during 2017/18 with a key focus on strategic and operational initiatives and, in particular, an increased focus on becoming digital whilst maintaining the human touch.

The financial services industry is rapidly changing with the introduction of new technologies and faster processing times. Credit Union SA committed to being a part of the New Payments Platform, due to be launched early next year, which will see our members provided with real-time payments and funds transfers between other participating financial institutions. This is an exciting development and one that will benefit our members greatly. Of course with new technologies comes consideration around security and mitigation of fraudulent activity, and the Credit Union has partnered with our payments platform provider to adopt a sophisticated fraud detection system that we are confident will help protect our members.

With the banks recently announcing the removal of fees for non-bank customers using their ATMs, our members now have access to over 10,000 ATMs around Australia without having to pay a fee.

Finally, I would like to thank our staff for their efforts and continued focus on our members, the Board of Directors for their guidance and our members for your support and loyalty in achieving another successful year for Credit Union SA.

- Grant Strawbridge