

Chair's 2015/16 AGM Address

Credit Union SA's performance in the 2015/16 financial year was very pleasing against a backdrop of difficult economic conditions, subdued consumer confidence and political uncertainty. Maintaining a strong capital and liquidity position was assisted through the prudent risk and financial management of the Credit Union which has provided us with a stable foundation for continued focus on the strategic direction and initiatives. This enables us to focus on our members and continue to grow as an organisation.

Several record breaking months in residential lending through both retail and broker channels contributed to continued growth in the Credit Union's residential loans book and focused efforts contributed to membership growth.

The Credit Union continues to invest its profits back into the business to provide members with competitive products, services and pricing as well as giving back to the education and broader community through sponsorships and programs such as the Credit Union Christmas Pageant and SA Public Education Awards and through our School Community Rewards program.

The Board considered and approved a new Purpose for the Credit Union during the strategic planning process earlier this year, being:

"Collaborating and connecting with South Australians for a brighter future"

This Purpose along with our values will be used as the filter for everything that we do.

Credit Union SA recognises that its staff are key to the success of the organisation and fulfilling our Purpose, and over the past four years we have been implementing a long term People & Culture Plan to reinforce the Values and behaviours that are valued within the Credit Union. We have included these in our recruitment processes to ensure that we are attracting and retaining the right people.

Environment - Legal

Regulatory authorities have taken definitive steps throughout the year to reduce risk and promote confidence and security of the financial system, particularly in relation to investment residential lending. A 10% cap on investment growth was introduced for all organisations in order to slow demand in a heated market and this measure has had the desired impact with investment lending reducing to more normalised levels. We can expect that the regulators will continue to have a strong focus on ensuring the safety and security of the financial system and Credit Union SA is well placed to meet all requirements.

Our Regulators, APRA and ASIC, are also turning their attention towards the risk culture of organisations, with a view that culture is closely linked to conduct, is about shared or collective viewpoints and the management of risk, not just about risk taking behaviour. The Board and management are continuously mindful of the risk culture within the Credit Union and have taken steps to further strengthen the focus given to this important area.

Environment – Overseas

We continue to operate in a relatively uncertain global economic environment, with Britain voting to exit the European Union and central banks setting the interest rate to below zero in some advanced economies however experts believe that Australia is well positioned for the future, with a relatively low Australian dollar supporting employment and moderate growth.

Environment – South Australia

The South Australian economy continues to lag behind other mainland states with regional SA hit hard and a number of large industry shut downs affecting entire communities.

The challenging and competitive market, combined with the slowing South Australian economy, will certainly prove testing however the Credit Union is well positioned to continue performing and providing our members with competitive products and pricing. We will continue to leverage disruptive opportunities around digital platforms and focus on our digital offerings to members.

The mutual sector continues to consolidate, with smaller mutuals seeing merger activity as an opportunity for their customers, in an environment where interest rate pressures, heightened competition and an ongoing focus on digital transformation means many of these smaller mutuals would be unable to meet the needs of their members ongoing.

The Credit Union's key three year strategic focus areas are: turn member and market share into growth; become digital ready; create a stronger organisation; and create a sound, flexible base for the longer term strategy. 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.

Chief Executive Officer's 2015/16 AGM Address

I am pleased to report a profit after tax of \$3.851m, lower than the previous period, but higher than our budgeted target. This is a strong performance in a challenging economic environment.

As outlined last year, we planned for the 2015/16 financial year to be a challenging one from a retail perspective and broader economic conditions view point with these scenarios crystallising however year-on-year growth in our portfolios and new memberships were achieved.

Total assets of the Credit Union grew by 5.7% for the year to \$928m with loans and advances increasing by 13.6% to \$756m and member deposits continuing their favourable growth trend closing at \$828m.

Over the last 12 months a continued prudent approach to financial management has been adopted while progressing strategic and operational activities focused on enhancements to products and service experience for members. This focus and priority has led to:

- Continued strong membership growth with over 2,600 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 770 members with a new home loan and over 510 members with a new personal and car loan during the year.
- Our insurance and financial planning services continued to be well supported by our members, with insurance coverage provided to over 4,200 homes and nearly 10,000 motor vehicles and we helped over 310 members set a financial plan for their future.
- Our digital platform continues to be well utilised with over 2.1 million log-ons to our internet banking and 11,000+ mobile app users and during the year we launched our new website, internet banking and mobile apps.
- Our member contact centre took over 144,000 calls from our members.
- Digital enhancements continue to remain a key focus for 2016/17 with significant investment in this area including online forms and applications and provision of the Pays functionality (Android and Apple Pay).
- We had over 1,000 school visits and supported and attended 181 teacher conferences – reinforcing our commitment to the education sector.
- During the year we expanded our School Community Rewards program with a total of 13 schools now participating in this program as well as over 830 program participants. This program is about increasing value and sharing with the school community with over \$55k given to date to the participating schools. We plan to continue to roll this program out to further schools on a progressive basis.
- We also continued to partner with St John's Youth Services and provide them with services through budgeting skills and other knowledge transfer activities to assist their clients to financial independence. We also provided paid work experience opportunities for a number of St John's Youth Services clients.

In addition to these results, we have seen record levels of home loan sales, breaking previously set monthly records on several occasions throughout the year for both retail and broker channels and the launch of the Credit Union's First Home Buyers Grant.

We also continue to invest in our People and Culture plan and are well positioned in our transition to our desired culture which includes our values in action activities.

The outlook for 2016/17 is consistent with prior years with:

- record low interest rates and ongoing concerns in relation to the value of the AUD currency and Australian inflation levels
- a highly competitive market for lending rates and ongoing product innovation
- the Australian economy and the risks attached to this with low commodity prices, high household debt and high reliance on the housing sector (noting however there have been recent positive signs with Q1 2016 GDP results showing signs of rebalancing away from mining toward services exports)
- the South Australian economy continuing to underperform the national average with unemployment remaining high and ongoing concerns with the mining and energy sector (this is being mitigated in part by positive consumer spending results, government spending and defence contracts).

All of these factors indicate that the 2016/17 period will remain a challenging one for the Credit Union however, whilst acknowledging the challenges that the New Year will bring, we will continue to focus on our members and the prudent financial management of the Credit Union.

Consistent with the previous two years, the business transformation process continues during 2016/17 with a key focus on strategic and operational initiatives.

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.