

PEOPLE'S CHOICE CREDIT UNION

2019 ANNUAL GENERAL MEETING

CHAIR'S ADDRESS



Good morning, ladies and gentlemen, and welcome to this Annual General Meeting of People's Choice Credit Union. My name is John Cossons, and I am the Chair of the Board of Directors.

Before we formally begin, I want to thank you all for coming today. We are a member-owned organisation. I'm a member. Everyone on the Board is a member. Every staff member is a member. We all care passionately about People's Choice, which is something we share with all of you. So thank you very much for making the effort to be here today.

As the time is now 11.00am, I declare the meeting open.

I declare we have a quorum present.

I would first like to introduce you to your Board of Directors, and would ask each of them to stand when their names are called:

- Anne Skipper
- Virginia Hickey
- John Patton
- Amanda Heyworth

I would also like to introduce Steve Laidlaw, who is the Chief Executive Officer and Managing Director.

Taryn Shearn is the General Counsel & Company Secretary and Nigel Bulling from Computershare Investor Services is the Returning Officer.

We also have present:

- Paul Cenko from our auditors, KPMG; and
- James Dickson from our legal advisers, Piper Alderman.

I remind everyone present that you must have identified yourself and been entered on the attendance register for today's meeting.

There are no items to be decided by a vote at today's meeting, however members have been provided with the opportunity to appoint: the Chair; another member; or a non-member as their proxy to attend and speak at today's meeting on their behalf.

An Appointment of Proxy form was provided to all eligible members together with the Notice of this meeting. Members were advised that the proxy form needed to be provided to the Returning Officer by 11.00am (Central Daylight Savings Time) on Tuesday 12 November 2019.

Finally, all members will have received the Notice of Meeting and the Directors' Explanatory Statement that accompanied the Notice of Meeting.

On registering today, you would have been issued with a BLUE card identifying you as a member or a PINK card as a registered proxy. You will need to show this card if you wish to ask questions today. If you have a WHITE card, you are here as an observer and cannot ask questions.

If you have not received a card, please go to the registration desk near the lifts to formally register for this meeting.

I propose to take the Notice of Meeting as read.

People's Choice seeks to achieve the highest ethical and moral standards, and legal compliance. It is particularly concerned to ensure there are no breaches of privacy. For

this reason, members are asked to ensure that any questions they ask during the meeting are about the operation of the business and not about the operation of specific accounts or of a type which involve specific account holder details. You may have noticed when you registered that we have designated staff in the foyer area available to answer any questions of a personal nature.



Before we move to the Financial Report, I would like to present the highlights of the 2018/19 year, and then hand over to the Managing Director to present an overview of our performance and results for the year.

People's Choice performed well during 2018/19, increasing our membership, delivering above-market portfolio growth and achieving levels of member trust and advocacy that are among the leaders of the financial sector.

As a credit union, our collective focus on understanding and supporting our members is being well received during a time of rapid change and in a very competitive market.

Our priority is to continue this momentum while investing to meet the future expectations of members, while we work to consolidate our position as one of Australia's largest customer-owned financial institutions.



People's Choice welcomed 20,495 new members during the financial year and increased net membership by 9,248 members. Our sustained record of steadily growing our membership each year reflects high levels of member satisfaction and trust which—in turn—drives the willingness of our members to recommend People's Choice.

The Roy Morgan Customer Satisfaction Awards 2018 named People's Choice as Australia's best credit union for the third year in a row, and DBM Consultants singled out People's Choice as having the most recommended home loan.





We also received recognition for the value of our savings and transactions accounts and for overall customer satisfaction from Canstar and Mozo.

Further, our measure of members' trust and loyalty – our net promoter score – was +43 over the course of the year, a full 41 points above the average for the financial institutions surveyed. This score is calculated by DBM Consultants, who regularly survey members to establish whether they are promoters (loyal, enthusiastic fans), detractors (unhappy) or passives (satisfied, for now).

Overall, these results are reassuring in an environment where public trust in financial institutions is being challenged.



A strong position for continued growth

-  9,248 net member growth to more than 375,000 members
-  Retail deposit portfolio grew 7.63% to **\$6.221 billion**
-  Residential lending portfolio grew 6.15% to **\$7.137 billion**
-  Member loans and advances grew 5.41% to **\$7.675 billion**



We are also seeing the trust of our members reflected in our portfolio growth.

Our retail deposit portfolio grew 7.63% to \$6.221 billion over the past financial year, and total member loans and advances lifted 5.45% to \$7.675 billion.

In a year of ever increasing competition and narrowing margins, People's Choice grew its residential lending portfolio by 6.15% to \$7.137 billion, representing an annualised growth rate well above industry averages.

Importantly, our strength in supporting our members was recognised by being named the best customer-owned institution for first home buyers in South Australia, Victoria and the Northern Territory – our three key markets – for the third year running by comparison website Canstar.

People's Choice was also named *Money* magazine's Personal Lender of the Year for the second year in a row, reflecting our competitiveness in the market and our commitment to improving our products and the member experience with quicker lending processes and more options to suit members' circumstances.

Chair's Report
2019 ANNUAL GENERAL MEETING

Growing and diversifying

- **Positive growth strategy:** Continued investment in Victoria with two new home loan centres opening in Melbourne's fastest-growing regions
- **Building trust and relationships** with first homebuyers
- **Helping our younger members towards home ownership:** The People's Choice of Housing, launched for Adelaide this year, with a view to expand this report into other states
- **Rising enquiries:** Victorian home loan enquiries 11% higher than previous financial year

Our investment in Victoria remains a positive strategy to grow and diversify our business. The fundamental strengths of the Melbourne property market underpin its recovery from recent price adjustments and reinforce our belief in its long-term growth prospects.

The opening of our two new home loan centres in Melbourne's western suburb of Caroline Springs and the outer northern suburb of Mernda reflects our confidence in the prospects for these areas, and we have recorded an 11% lift in Victorian home loan enquiries in the past year.

Looking more widely, we believe there remain significant opportunities to build trust and relationships with first homebuyers. The People's Choice of Housing, launched for Adelaide in April and in Melbourne last month, provides a valuable resource by offering insights into the city's most affordable and liveable suburbs. We plan to expand this report into other states to help our younger members take the first step towards home ownership.

Chair's Report
2019 ANNUAL GENERAL MEETING

A strong position for future investment

- Comparative profit of \$48.103 million
- Goodwill write-down of \$8.477 million reflects environment
- Investment of \$6.500 million in transforming services, business this year, up to \$90 million total
- Total assets of \$8.810 billion
- Total assets and funds under advice of \$10.715 billion

People's Choice this year recorded a comparative profit before tax of \$48.103 million, down 2.71% from the previous year's \$49.445 million as a result of one-off items. Statutory net profit before tax fell to \$33.126 million compared to \$44.200 million last financial year.

This was not a matter of performance, but one of prudence: People's Choice has written down goodwill relating to its financial planning business by \$8.477 million, reflecting the fact that changes stemming from the Future of Financial Advice reforms and the Financial Services Royal Commission have substantially changed the landscape for financial planning.

Most large financial institutions are in the process of exiting the sector as they assess the viability of this business. We believe that quality financial planning services have a role in helping our members achieve their financial goals.

We have also invested \$6.5 million this year alone to transform our technology and member experience – essential elements of our strategy of differentiating, enabling and growing as outlined in previous years. This is a valuable investment that we expect will extend to up to \$90 million in coming years to further develop our capacity to provide members with seamless banking through our digital and physical channels.

This will benefit all members, whether you prefer face-to-face banking, online banking, discussing matters via social media or our National Contact Centre, or a mix of all.

Both the goodwill write-down in our financial planning business and the investment in transformation relate to significant changes and disruptions in the financial services sector. We are not simply waiting for these changes to affect us – we continue to look at how we can improve, how we can excel and how we can continue to evolve to meet future member needs.

This attitude has helped People's Choice maintain its position of strength in the financial services sector.

Strong residential lending contributed to the ongoing growth of our total assets to \$8.810 billion, taking our total assets including funds under advice to \$10.715 billion at 30 June 2019.

Of course, we take our responsibility for those funds extremely seriously.

Our attitude of incorporating a strong credit risk framework across all aspects of our business – not just credit assessment – was recognised by financial research agency RFi Group, which named People's Choice as having Australia's best credit risk management at its Australian Lending Awards. This is a testament to our focus on treating risk as a matter of cultural importance throughout the business rather than as a matter of compliance. This approach will both protect and enable People's Choice as we grow into the future.



Australia's financial services sector has come into sharp focus over the past financial year, with many significant changes already underway and more expected to stem from regulatory and legislative reforms.

People's Choice stands in a strong position in such an environment. Our size and maturity gives us the capacity to attract and keep the necessary talent to guide us through these changes, and being member-owned differentiates us from the shareholder-driven priority of major banks.

Our focus on the long-term needs of our members also means we recognise the opportunities that these changes may offer for future growth. For these reasons, we will continue to adopt reforms where we believe they may offer future member benefits. This is appropriate for an organisation that remains committed to the model of mutual ownership.

Broader changes in the sector also provide People's Choice with opportunities to build its presence. Open Banking and Comprehensive Credit Reporting aim to empower customers with more accurate data reporting, and changes to laws regarding responsible lending and product design are shaping how we respond to our regulatory and reporting environment.

We are proactively adapting to these changes and expect many more to flow from the recommendations of the Financial Services Royal Commission. While many of the issues revealed by the Commission have placed the banking industry at the forefront of public discussion, they have also reinforced the value of the mutual model: we exist to meet the needs of our members, and not shareholders.

There remains a concern that rapid changes may result in unintended consequences for the mutual sector. People's Choice remains an active supporter and contributor to key industry associations to help governments appreciate the role the sector plays and to ensure it is not unintentionally penalised by such consequences.

The Customer Owned Banking Association and the Business Council of Co-operatives and Mutuals have played strong roles in promoting the interests of the sector to all sides of politics, leading to positive outcomes that recognise the importance of supporting our ability to provide an alternative to the major banks.

To sustain our strong growth and strong performance, People's Choice has to attract and retain talented and experienced individuals to guide the organisation.

In this regard it is important that People's Choice remunerates its Executive and staff at a level that is competitive with the market. Remuneration levels are independently benchmarked and reviewed by the Board. Furthermore, to ensure members are getting value for money, Executive and staff are measured across a balance of objectives including member outcomes and experience, staff, financial and risk metrics. The Board is therefore confident that the level of Executive and staff remuneration is both appropriate and also drives behaviours that are in the best interests of the organisation and its members.

The Board has also assessed whether it would be appropriate to disclose executive remuneration at an individual level. Following a review, the Board found that no comparable organisations adopt such a practice and that the disclosure of such information would be disadvantageous to People's Choice. Once again, supported by independent expert advice, the Board is satisfied that Executive remuneration is appropriate.

With respect to the increase in Board remuneration this year, the Board has also undertaken independent benchmarking. This benchmarking has shown that Director payments, and particularly that of the Chair, were low. The reality is that the complexity and risks associated with financial services have generated significant additional workloads for directors. In an increasingly challenging environment, coupled with an organisation that now has more than \$10.7 billion dollars in assets and funds under management, it is critical that the Board attracts appropriately skilled individuals to be directors of People's Choice.

In this regard, I have announced my intention to retire at the end of today's meeting. This has provided the Board with an opportunity to appoint a new Chair to oversee our next phase of growth, which we will speak about more fully later in this meeting.

Our staff, all of whom are also members, continue to play a vital role in building a stronger credit union. Their enthusiasm, professionalism and dedication to our members sits at the heart of who we are and what we can achieve. We thank them, our Executive team and our Board for their hard work throughout the year as we embrace those opportunities ahead.

I will now hand over to Steve for an overview of our results for the year.