

Picture this
Gateway
Credit Union
Annual Report
2014



What moments in life do we frame? Our fondest memories; our greatest adventures; the things we love; the things that make us happy? We look at these moments and are reminded not only of our past happiness, but also our future dreams.

Gateway supports its Members through all stages of their life. Understanding their future plans helps us better meet their needs and helps them achieve their financial goals sooner.

Our vision is to put their goals in the picture. And we want to share this vision with all our Members.



I like to hope that I can make a difference. Not in any public or political sense, but in my work and exchanges every day, in small ways. Like most parents, I hope to help my kids learn the foundations for making good choices and decisions. For my wider family, I would like to reciprocate the love and support that they give

to me. In my career, as a finance executive, and now as a director, I believe that financial well-being makes a difference to people's lives. This requires good organisations with good management and governance, and I want to be a part of that.

Catherine M. Hallinan
Gateway's Chairman

Chairman's Report

Working for you

Fiscal 2014 was a year in which we reflected on who we are, why we exist and what value we add. These are difficult but compelling questions which go to the heart of our sustainability. We intend to continue our rich heritage of supporting Members through all stages of their life.



Ladies and Gentlemen

Each year the market in which we operate becomes more competitive and each year we make progress. Fiscal 2014 was no exception and saw us continue to do what we do best – serve our Members. But it is getting tougher!

We are a mission based organisation and, during the year under review, we set ourselves a new mission – *to financially help people achieve their hopes and dreams*. Achieving this mission has given us a renewed sense of purpose and we are really excited at where this might take us.

Identify the Challenge

As Members, you expect us to constantly improve. There is a need to generate a strong financial return, to fund growth and investment in the business. We want to grow our Member numbers, and increase their business with us. So, we will raise our performance bar and listen more so that we can better understand your needs. We want our Members to see us as their financial partner of choice, for life.

Our success must be positive for our Members. Finance can be a force for good as it has the power to lift individuals and families to new levels. We want to help transform lives and play a role in the social and economic progress of Members and the broader community.

Understand the Challenge

During the past year, we undertook a detailed examination of all elements of our strategy and operations. We asked ourselves some tough questions, critiqued our own performance, and sought advice,

assistance and opinions from many and varied sources. We looked ahead and pondered our relevance in a digital age of tech-savvy new entrants and established giants.

We made specific choices about our future direction and believe that we can carve out a sustainable niche in this brave new world. Guided by our new purpose, we aim to become even more responsive and to create an even better customer experience. To deliver on this promise, we have made major changes to our organisational structure.

Meet the Challenge

At our annual strategic planning workshop in March 2014, the Board embraced the need for change. We agreed a new three-year strategy and asked our CEO to come up with an implementation plan. A central part of this is to realign our human resources to make us more agile to Members' needs.

The new organisation structure was approved by the Board in May 2014 and is being implemented in the 2014/15 financial year. While it is still early days, the revised structure is part of the transformation of Gateway. Our employees are getting

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their financial partner
of choice, for life.**

Catherine Hallinan — Gateway's Chairman

a real buzz as we move from being customer-friendly to customer-centric.

The Journey Begins

Customer centricity is not achieved in a "big bang" – it has many elements and requires a staged approach. We need to manage customer information more effectively, we need to better integrate and coordinate multiple channel activity and we need to improve the efficiency of the core processes that drive the business.

Truly making Members the centre of everything we do is exciting and challenging. While most organisations claim that "the customer is king", few consistently deliver on this. For Gateway, our customer service promise is simple and unambiguous: We will be easy to deal with.

Unique Market Positioning

Over and above this service proposition, we want to tangibly assist Members improve their financial position. So, we have set ourselves the ambitious goal of becoming *the best financial institution in Australia for helping customers pay down debt*. As far as we can work out, no one else is focused on this, so we are creating a road map, not following one. This should put us ahead of the game.

At first blush, helping borrowers pay down debt faster would seem a counter-intuitive strategy for a financial institution which makes money from lending money. However, this stance dovetails perfectly with our *people before profits philosophy*. We believe our success is tied to your success and that putting the interests of Members before our own will pay dividends in the longer term.

Rewire the Organisation

Our commitment to serving Members better is also evident in our decision to appoint a Chief Customer

Officer. In line with the dictum that structure follows strategy, it became clear after we completed our new three-year plan that we needed some extra firepower in our C-suite. So, in May 2014 we started the search for a senior executive to fill the newly created role of Chief Customer Officer.

A Committed Team

Our new Chief Customer Officer is now on board and she is already adding value. She joins a great team of employees. Our people are the foundation on which our success is built. As always, they are to be commended for their professionalism and dedication throughout the year.

The commitment of our employees is a reflection of the leadership of our CEO, Paul Thomas. Paul gives 100 per cent to the job, is passionate about Gateway and the mutual sector, and is a strong and strategic leader. The details of our financial performance and other aspects of our operations are provided in the CEO's Report, which I commend to you.

Directors Who Serve

What I would like to do is comment on the dedication of my fellow directors who give unstintingly of their time in the service of Members. Each Gateway director brings unique skill sets and perspectives to our collective decisions. This ensures efficient and balanced decision-making within a culture of healthy debate and challenge.

I sincerely thank our directors for the professional way in which they have discharged their duties. During the year under review the Board focused heavily on corporate strategy and on ensuring Gateway has the right policy settings in place to protect and advance the interests of Members.

Appreciation to Members

No Chairman's Report would be

complete without acknowledging the most important stakeholder group – customers. At the end of the day, a business cannot exist without customers. Our Members "buy" our products and services and their customer experience is paramount to our success.

Members "bought" our loans in record numbers during fiscal 2014 as well as favouring us with new deposits. Many Members also eagerly embraced our new banking app, Gateway 2go. I thank all Members for their ongoing loyalty and support and assure you of our continuing focus on you.

Facing the Future

As I look to the future, I do so with optimism. While the road ahead will not be easy, we face it with confidence. We are at the right place and the right time in our journey to capitalise on opportunities. We have a strong balance sheet, a great team and a renewed sense of purpose.

We remain alert to the economic uncertainty and the impact it continues to have on the savings and borrowing habits of Australians. We believe our "back to the future" service strategy will serve us well and will ensure our continued relevance in a changing marketplace.



C. M. Hallinan
Chairman



Our Members

Luciana Le Clerc Supporting what matters most

Motherhood has changed my life; I never knew how much happiness it could bring. So, as a proud single mother to my 4-year-old son, my greatest ambition is to support him and be the one person he will always look up to and be proud of. It is also important to be successful in my career — to know that you have finally made it after all your hard work and effort would be a great feeling. Like everyone, I would love to win the lottery; to take my son on an adventure around the world would be amazing.



Down the track, I would like to start an 'encore career', which is a growing trend post-retirement to undertake paid or volunteer work that has social impact. I would also like to complete and publish a book I have been working on (very slowly!) in my spare time. Over and above all of that,

I want to have more family time, be able to spoil the grandchildren and to do the things I want to do. I want my greatest legacy to be that of a good father and loving husband.

Paul Thomas
Gateway's CEO

CEO's Report Building on strengths

With double-digit business growth as a mortgage lender, single-digit savings growth as a deposit taker, solid transaction growth as a payments provider and continuing growth in Member value as a co-operative institution, fiscal 2014 was a year of achievement for Gateway.

Fellow Members

The end of a financial year provides the impetus for reflection. As the Chairman has outlined in her report, time was put aside over the past 12 months for some important corporate contemplation. But we also got on with the job of running the business and produced some impressive results.

In a year when the housing finance market was at its most competitive, we managed to capture more than our fair share of home loans. We funded a record number of loans and grew our loan book by a solid 11.73 per cent - well above banking system growth. This contributed to the 11.87 per cent rise in total assets – again, above industry growth.

Deposit Love Affair

On the other side of the ledger, we achieved our best retail deposit growth outcome in three years. Post GFC, there has been a scramble for household deposits as institutions have sought to fund less of their operations from wholesale markets. Retail (household) deposits are seen as the cornerstone of a financial institution's stability.

Competition to lure household savings was robust throughout the year with special offers and bonus rates the order of the day. Gateway fought back with its own attractive offers, thereby providing Members with a great deal on their savings. For a period during the year under review, we offered one of the top deals for online savings rates.

Continuing Margin Squeeze

Of course, aggressive pricing comes at a cost and this is reflected in

the increase in our cost of funds (ie, the price of raising deposits from Members). Like depositors, borrowers have also become much more interest rate sensitive and want discounted rates on their loans.

Our fundamental challenge day in and day out is to satisfy the mutually exclusive needs of savers (who want to earn the highest rate) and borrowers (who want to be charged the lowest rate). The end result of this financial intermediation is a contraction in our net interest margin and this is reflected in the fall in our profitability.

Subdued Bottom Line

Our profit before tax finished the year at \$2.37m. This is not a best practice outcome and is partly attributable to the sustained low interest rate environment since the GFC. The Reserve Bank's monetary policy stance of record low rates is a mixed blessing for financial institutions.

Along with lowering an institution's borrowing costs, depressed rates limit what can be charged on loans and earned on other investments. The difference between the two - the net interest margin - has been declining since 2008. This is why we have experienced a sustained hit on our revenue and earnings over recent years. We are confident of turning this around over the next 12 months.

Mobile Banking Application

Meantime, we continue to invest in the business, as evidenced by the launch of our mobile banking app, called Gateway 2go. The iPhone version was released in June followed closely by an Android version. The take-up by Members has been overwhelming and proves that digital technology is fundamentally reshaping retail banking.

It is estimated that more Australians now use their mobile phones to do their banking than their desktop computers. In a few short

We are truly building a new Gateway, from the inside out.

Paul Thomas — Gateway's CEO

years, on-the-go banking has moved from an innovation to a basic need. The technological developments that are changing modern life are revolutionizing banking and transforming the face and pace of money management.

Member Satisfaction High

Today's financial services customers are the most informed, connected and sophisticated in history and they want speed, convenience and personalisation. They also want simplicity and transparency and are sick and tired of red tape in banking, which is why we are on a journey to simplify what we do.

Our fundamental aim is to engineer a better banking experience and judging by the results of our latest Member survey, we are on the right track. We recorded a 93 per cent customer satisfaction score which is among the highest of any financial institution in Australia. Our aim is to do even better over the next period.

Staff Satisfaction Rises

Providing Members with a level of service which is second to none largely falls to our employees. To this end, there is a correlation

between employee satisfaction and customer satisfaction. Creating the right environment for employees maximises their potential for providing excellent Member service.

Yet again, judging from the results of our latest staff survey, staff rate us highly as an employer. Significantly, we received our highest staff engagement score ever at 93 per cent. To be sure, we are not perfect and can always improve. But across the board our scores confirm we are a good employer that genuinely cares about the welfare of staff.

Praise the Team

Speaking of staff, in these pages last year I noted with pride the level of hard work and dedication that our employees had put into a year of noteworthy accomplishments. This year I want to again shout from the rooftops about our employees and the fact they have continued to go the extra mile. They are a joy to work with and should all take a bow.

As always, special mention must go to my executive colleagues, Gary English, Chief Operating Officer, and Peter Gilmore, Chief Financial Officer. Together, Gary, Peter and I

form the Senior Leadership Team (SLT). The stability and commitment of the SLT is a key driver of our long term success and provides much of the firepower for our forward momentum.

Best Practice Governance

That forward momentum is overseen by our Board of Directors who are to be commended for their stewardship. Each director was active, informed and competent in the supervision of the credit union through the year. Collectively, the directors bring a unique blend of technical prowess and moral fibre to their corporate governance obligations.

The Board is ably led by Catherine Hallinan whose collegial style brings out the best in others around the board table. I appreciate her sound judgment, "big picture" orientation and personal integrity. For me, she has become a trusted confidante and a source of wise counsel. We are strategically aligned in doing what is best for Members.

With Personal Optimism

The agenda we have set out for 2014 and beyond is exciting. We are truly building a new Gateway, from the inside out. Our vision is clear, our commitment is unquestionable and our passion to transform Gateway is infectious. We look to the future with much anticipation.

Building momentum behind our new growth strategy is my personal priority for the coming year. I will work relentlessly in mobilising the organisation behind our three-year strategic initiatives. I look forward to reporting our progress to you a year from now.



With thanks.

Paul J. Thomas
Chief Executive Officer

Gateway's aim is to become the best financial institution in Australia for helping customers pay down debt.

Chairman

Catherine M Hallinan

BA (Hons), MBA, F Fin., GAICD, FAMI

Experience & Special Responsibilities

Catherine joined the Board in June 2006 and was appointed Chairman in May 2012. Catherine is also a director of HCF Life Limited and has over 30 years' experience in banking, finance and management consulting.

- Deputy Chairman (March 2010 to May 2012)

Committee Memberships

- Risk & Audit (to February 2014)
- Nominations & Remuneration (to February 2014)
- Risk (March 2014 to present)
- Audit (March 2014 to present)

Deputy Chairman

John B Flynn

FAMI

Experience & Special Responsibilities

John joined the Board in January 1989. John is currently a Finance Consultant with over 44 years' finance experience including 37 years with the Commonwealth Bank of Australia.

- Deputy Chairman (January 1998 to December 2002) (February 2013 to present)

Committee Memberships

- Risk & Audit (to February 2014)
- Nominations & Remuneration (to February 2014)
- Audit (March 2014 to present)
- Convenor Nominations & Remuneration (March 2014 to present)

Non-Executive Director

Steven R Carritt

BA (Accounting)

Experience & Special Responsibilities

Steven joined the Board in July 1992, and has over 38 years' banking and finance experience and was formerly General Manager ALM with the Commonwealth Bank of Australia.

- Chairman (January 2005 to February 2010)

Committee Memberships

- Convenor Members' Equity Protection (to February 2014)
- Risk & Audit (to February 2014)
- Convenor Risk (March 2014 to present)
- Members' Equity Protection (March 2014 to present)

Non-Executive Director

Malcolm S Graham

MA, F Fin., FAMI

Experience & Special Responsibilities

Mal joined the Board in July 1992 and has over 40 years' banking and finance experience. Mal is also a director of AM Institute.

- Deputy Chairman (March 2008 to February 2009)
- Chairman (January 1998 to December 2004)
- Deputy Chairman (March 1994 to January 1998)

Committee Memberships

- Convenor Risk & Audit (to February 2014)
- Convenor Audit (March 2014 to present)
- Nominations & Remuneration (March 2014 to present)

Board of Directors continued

Non-Executive Director **Graham B Raward**

BComm., M Applied Finance

Experience & Special Responsibilities

Graham joined the Board in June 2006 and has over 40 years' banking experience. Graham is an Executive Manager, Group Funding of the Commonwealth Bank of Australia.

- Deputy Chairman (May 2012 to February 2013)

Committee Memberships

- Members' Equity Protection
- Risk (March 2014 to present)

Non-Executive Director **Irene H van der Loos**

GAICD

Experience & Special Responsibilities

Rene joined the Board in February 2008 and is the General Manager, Strategic Marketing & Innovation at NRMA Motoring & Services. Rene has 13 years' banking experience and was formerly a Director of Sydney Ports Corporation (2006 – 2012).

Committee Memberships

- Nominations & Remuneration
- Members' Equity Protection (to February 2014)
- Audit (March 2014 to present)

Non-Executive Director **Jennifer M Wicks**

BA, GMQ, GAICD

Experience & Special Responsibilities

Jennifer joined the Board in February 2008. Jennifer is the Portfolio Director, Group Operations, Property and Procurement at Westpac Banking Corporation, and has over 25 years' financial services experience.

- Chairman (February 2010 to May 2012)
- Deputy Chairman (March 2009 to February 2010)

Committee Memberships

- Convenor Nominations & Remuneration (to February 2014)
- Members' Equity Protection (to February 2014)
- Convenor Members' Equity Protection (March 2014 to present)
- Risk (March 2014 to present)



Our Members

Shylli Sithamparakumaran

A life without worries

We tend to live for others — for their opinion, their affection and their attention. I want to live the life that I truly want. To me that means travelling the world — experiencing other countries, eating, cooking and waking up every day without worries. In the future I hope to have my own small business that would give me the opportunity to explore some of my creative passions — in particular cooking, event planning and hair and makeup. Getting paid to watch TV wouldn't be too bad either!

We commenced rewiring the organisation...

- Created the environment to empower employees to go above and beyond for Members and their colleagues every day
- Realigned our human resources to make us more agile to Members' needs
- Further investment in digital channels to reflect customer preferences – launched Gateway 2go our first mobile banking app

continued to grow in a challenging economic environment...

- Achieved a Gateway record for the number of loans funded
- Grew the loan book by 11.73% – well above banking system growth
- Saw a 11.87% rise in total assets – well above industry growth

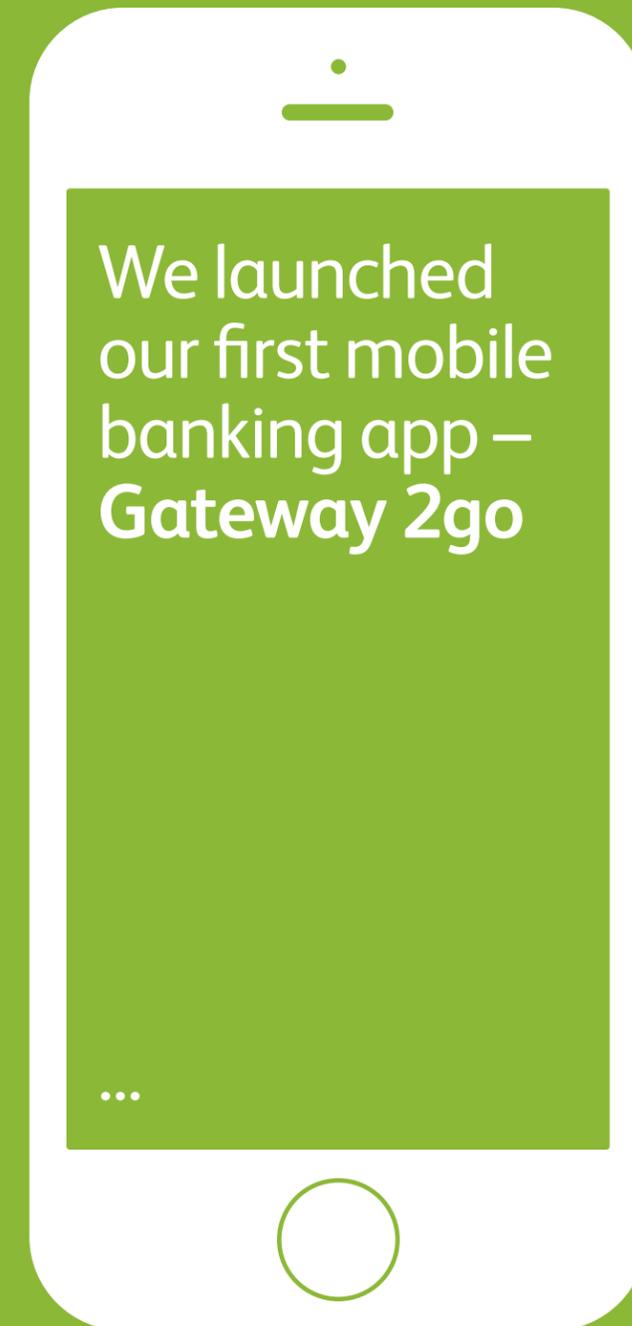
earned our Members, partners and staff respect and loyalty – again!

- Achieved a Member satisfaction rating of 93% – sector leading and best practice
- 85% of Members would recommend Gateway to another person*
- 87% of mortgage brokers would recommend Gateway to another client**
- Achieved a 93% staff engagement rating – our highest rating ever

Key Achievements

Each year the market in which we operate becomes more competitive and each year we make progress. The agenda we have set out for the year ahead is exciting. We are truly building a new Gateway, from the inside out and we intend to continue our rich heritage of supporting Members through all stages of their life.

* Gateway Member Satisfaction Survey 2013 Quantum Management Indicator
** Results from the Gateway Broker Post Sales survey 2013 – 2014



Our Members

Kurtis Milivojevic Financial independence... and kickboxing

My ultimate ambition is to comfortably transition into the next chapter of my life, which is to own my first home and start a family. Financially, I plan to successively purchase a number of investment properties which would eventually generate enough sustainable earnings to allow me to 'live well' off the income. I've always dreamed of attending one of Thailand's renowned kickboxing training camps — it would be a once in a lifetime experience.



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We're obsessed with helping our Members to achieve their financial hopes and dreams, and that's why it's our new Gateway mission.

While it may seem like business as usual to our Members, over the next year we will be working harder than ever behind the scenes to train and empower our staff and to fine tune our products, processes and systems to make sure we evolve from being a customer-friendly, to a customer-centric organisation.

We won't stop at halfway, so watch this space!

