



MEDIA RELEASE

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Strong CUA profit supports increased community investment

Australia's largest member-owned financial services provider CUA is aiming to materially lift its investment in communities over the next few years to up to 3 per cent of Net Profit before Tax and Community (NPBTC), after delivering a strong full-year financial result.

CUA posted an annual consolidated Net Profit after Tax (NPAT) of \$51.66 million, up 5.8 per cent on last year's result. The result was driven by member growth across the banking and health insurance businesses, as well as strong growth in net interest income.

CUA Chief Executive Officer Rob Goudswaard said the strong performance allows CUA to continue its focus on growing the mutual organisation, enhancing the member experience and connecting with more members in their communities.

"This result provides a strong platform to continue investing in communities, digital and member-facing initiatives to ensure CUA remains relevant to members' changing needs, particularly during key life changes," Mr Goudswaard said.

"As a mutual, our members can be confident that all CUA investments are aimed at providing a better member experience and building stronger communities. That approach underpins our new Mutual Good community strategy, with increased funding to be directed to both new and existing CUA community initiatives."

Under the Mutual Good strategy approved by the Board, CUA has started working towards increasing community investment to up to 3 per cent of NPBTC.

"We've also invested in an improved member experience this year, launching our first on-balance sheet CUA credit card, progressing the first phase of our streamlined loans application system and upgrades to mobile and online banking. We're also making it easier for new members joining CUA to open a transaction account online in a few simple steps."

Competition was another key focus for CUA and Mr Goudswaard said CUA would seek to continue working with government and industry groups to secure a competitive financial services landscape to benefit members and consumers more broadly. He hoped to see progress on implementing the recommendations from the Financial System Inquiry and the Senate Inquiry into co-operative, mutual and member-owned firms.

In other financial results, CUA recorded above-system home loan balance growth of 8.2 per cent amidst strong competition, soft economic conditions and regulatory restrictions. The continued high quality and low risk of CUA's lending growth flowed through to the balance



sheet, with only 6.5 per cent of CUA's home loan portfolio having a Loan to Valuation Ratio (LVR) above 90 per cent.

While home loans remained the key driver of balance growth, the volume of personal loans issued during FY16 increased 14.7 per cent on the previous year to \$186.1 million. Loans under management increased by \$802.44 million, or 7.7 per cent, for the year.

Mr Goudswaard said the strong earnings result was driven by higher net interest income, up 10.3 per cent to \$232.77 million and reflecting higher interest revenue from record lending in the previous year.

Capital adequacy and return on assets (ROA) remained steady against the previous corresponding period, while CUA's return on equity (ROE) improved to 6.25 per cent.

Mr Goudswaard said CUA's focus on member-centric digital initiatives - including the new mobile banking app launched in August 2015 and a new CUA website in early 2016 - had driven increased use of CUA's digital channels.

"We're now exceeding 3 million logins and more than 1.5 million transactions using our digital channels each month – double the number of ATM transactions in a month. CUA now has more than 170,000 members using online or mobile banking and our mobile banking app has 15,500 more users than a year ago."

CUA's banking operations (ADI)

CUA's banking business (or ADI) posted a full-year NPAT of \$53.03 million, up 8.7 per cent on the previous year. The ADI results reflected strong performance across CUA's core banking products and services, as well as commission and dividend income associated with CUA's subsidiaries.

CUA Health

CUA continued to invest in the growth of its wholly-owned private health insurance subsidiary, with CUA one of the few organisations offering integrated financial, health and insurance solutions.

CUA Health posted a full-year NPAT of \$1.08 million and continued to achieve strong growth in new customers. A total of 8,618 new policies were taken out during the year and 80,278 people were insured with CUA Health as at 30 June, up 9.7 per cent on the previous year.

CUA Health maintained its commitment to value. Whilst premium revenue rose 15.8 per cent to \$135.76 million, the insurer returned almost 20 per cent more in benefits to policy-holders, at a total \$122.96 million. Policy holders received around 89 cents in the dollar in benefits, higher than the industry average. CUA Health was also recognised during the year with CANSTAR's Outstanding Value award for Hospital cover in Queensland.

Credicorp Insurance

Credicorp Insurance posted a full-year NPAT of \$1.15 million, an increase of \$0.57 million on the previous year. This subsidiary now provides general insurance to 14,200 members.



Credicorp's growth during FY16 reflects the investment in a new product suite and expanding the product range to include an insurance offering for members with home loans.

CUA strategy & outlook

Mr Goudswaard said the focus for the year ahead would remain on improving CUA's digital capabilities, growing member numbers, strengthening engagement with members and maintaining strong financial performance.

"We expect that economic conditions will remain tough and we will continue to face headwinds on the economic and regulatory front," he said.

"The limited options available to mutuals to raise additional capital will continue to provide a challenge, as will the competitive environment and margin pressure in this low interest rate environment.

"Against this backdrop, CUA must continue to attract members through establishing a deeper connection to communities."

He said the new three-year sponsorship of Queensland Cricket and Brisbane Heat BBL team, which commenced on 1 July 2016, would also provide additional community engagement opportunities and take CUA to new audiences.

CUA's digital strategy remains a core focus and in the coming year will include development of a next-generation mobile banking app, continuing the phased rollout of CUA's online loan origination system, and developing new member-centric digital products and services.

About CUA

CUA is a member-owned mutual, offering responsible financial, health and insurance solutions to almost 440,000 Australians. We were created by members for members and we care for them through the changes and challenges in their lives. We are working on being available whenever and whenever members need us. Our growth and success enables us to reinvest in our business, deepen our relationships with members and build stronger communities. Visit www.cua.com.au for more information on our initiatives, services and locations.

Connect with us on



Media contact:

Laurel-Lee Roderick
Manager, External Communications
Phone: 02 9323 8095
Mobile: 0428 602 508
Email: laurel-lee.roderick@cua.com.au

HIGHLIGHTS FOR FY16

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Financial & member highlights:

- CUA Group FY16 consolidated Net Profit After Tax (NPAT) of \$51.66 million, up 5.8 per cent on the previous year's result
- Consolidated assets up 7.6 per cent for the year to a record \$12.90 billion
- Loans under management up 7.7 per cent for the year to a record \$11.19 billion
- Retail deposits up 7.1 per cent for the year to a record \$8.33 billion
- 7,935 additional CUA members, taking total members to 439,713
- A 9.7 per cent increase in people insured with CUA Health, boosting the number of policy-holders to 80,278
- Moody's assigned a new A3 issuer rating to CUA in July 2015 and recently affirmed this rating in its review of operating conditions for the banking sector – this is the highest rating available to mutuals. This is a second rating for CUA, in addition to its BBB+ rating through S&P.

Key achievements for FY16:

- CUA launched a new member-centric cua.com.au website, a redesign of the CUA Health website and upgrades to its mobile banking app
- CUA launched its first on-balance sheet credit card, giving CUA more flexibility and control over member experience
- CUA expanded its product suite with two new home loan products, CUA Fresh Start Access and CUA Fresh Start Basic, and its eSaver Reward bundled savings account offer
- CUA branches at Castle Hill (NSW), Garden City (QLD) and Eastland (VIC) underwent a refurbishment, reopening as new-look integrated “one-stop” branches
- CUA signed up to sponsor the River City Labs Sponsored Entrepreneur Program in Brisbane, as well as partnering with Sydney-based fintech hub Stone & Chalk
- CUA's continued support of the adidas School Fun Run allowed the program to reach 631 schools nationally
- CUA awarded \$70,000 in grants to schools as part of the CUA Community Care program
- CUA team members volunteered hundreds of hours to support charity partner SIDS and Kids, and raised \$13,000 for the cause through Red Nose Day merchandise sales
- CUA was named Best Mutual at the 2016 Australian Retail Banking Awards for the 3rd consecutive year, and was awarded CANSTAR's Customer Owned Institution of the Year in July 2015
- CUA was awarded a 2nd WGEA Employer of Choice for Gender Equality citation in November 2015.