



Gateway Bank

2019 Annual Report



Achievements



87%
MEMBER
SATISFACTION



3

**WON 3
MOZO AWARDS**



5

**WON 5
CANSTAR AWARDS**



78%
INCREASE
IN TERM DEPOSITS

**SETTLED
OUR FIRST
DIGITAL
MORTGAGE**



**NEW OFFICE
PREMISES AT
68 YORK STREET,
SYDNEY**



**BRAND RECOGNITION ALMOST
TRIPLED THROUGH HIGH MEDIA
COVERAGE**

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A message from the Chair & CEO



In a year dominated by revelations from the Banking Royal Commission, the focus turned again to the importance of a culture that prioritises the needs of customers not shareholders. There are three levels of trust; trust that a bank is secure, trust that they know what they are doing, and trust that they are doing the right thing.

At Gateway we focus on all three.

As a customer-owned bank, Gateway is proud that each and every one of our Members have an equal share in ownership of the bank. Inherently, this ensures that its profits are returned to Members in the form of better services and competitive pricing.

We are grateful to our loyal Members old and new. Over 52% of our Members have been with Gateway for 20 years or more, and of these, over 31% have been with us for over 35 years. The strength of our relationships is exemplified

by the fact that 1 in 10 of the direct home loans provided by Gateway in the past year were the result of word-of-mouth recommendations from our Members.

Word-of-mouth referrals happen as a result of great customer experiences. We are particularly proud of the genuine empathy that we see demonstrated every day by the team at Gateway and their commitment to doing the right thing; providing our Members with products and services that cater to their unique wants and needs.

The year in review

Fiscal 2019 saw a year of great changes from an economic, regulatory, technological, competition and political perspective. Against this backdrop, Gateway achieved 38.4% growth in retail deposits and 5.4% growth in home loans.

June saw the first move in the RBA cash rate since August 2016. We have an obligation to protect, create wealth for and return value to our Members, balancing the needs of both our deposit and home loan Members whilst ensuring that we fulfil our requirement as a sustainable Authorised Deposit-taking Institution.

This commitment is evidenced by awards we've received on both sides of the balance sheet. Gateway's home and personal loans, transactional and savings accounts have been honoured with numerous awards over the last twelve months. Our accolades include 5-star ratings from Canstar for outstanding value in variable and fixed rate owner occupied loans and Customer Owned Institution of The Year - Term Deposit Award 2019. From Mozo, we received Experts Choice awards for low cost home loan and personal loans.

Gateway is investing in its future by digitising its home and consumer loan processes, providing a better Member experience.

We continue to invest in our Members and over the year delivered several improvements to customer service, including digitising parts of the home loan process. After a much-publicised battle, Gateway along with other mutual banks extended our partnership with Australia Post to ensure continued accessibility for those customers that prefer face-to-face interaction.

Culture is one of the core assets that a company possesses, which differentiates us from our competitors while also providing a strategic advantage.

At Gateway we are proud of our culture.

Investment in training and opportunities has seen one quarter of employees promoted over the past year. Over the last three months of fiscal 2019, we revisited our strong company values and took the opportunity to update them while remaining true to our roots. One new addition is a nod to our original reason for being; "small up" doing more with less. Gateway's original operating principles were to encourage thrift and self-help, principles which are as relevant today as they were in 1955. Thrift not only suggests enabling savvy financial decisions but using our resources as economically and thoughtfully as possible for the sustainability of the planet. "Small up" celebrates the notion that being small can

be a positive advantage, with many benefits coming from it. These new values can be seen on page 11.

Financial performance outcomes

In a year that saw challenging market conditions characterised by falling property prices and a slowdown in credit growth across the sector, Gateway grew home loans to \$903million. Broker-sourced home loans grew 7.9%

Driven by a year of change and investment, costs increased 2.6%, resulting in a deterioration in our cost-to-income ratio, but we know we have steps to take to improve. We are confident that our strategic plan will achieve this.

Our Capital Adequacy Ratio – a core measure of financial strength – stands at 19.1% which is significantly above regulatory requirements, far superior to the four major banks and at



as consumer choice dictated the popularity of this purchasing channel.

However, despite our impressive growth this year, like many of our peers, our margins have lowered in the face of higher funding costs. Gateway's profit before tax was \$3.011million.

the higher end for most mutual financial institutions.

Gateway uses its Members' money cautiously and home loan arrears are well below market levels. The implementation of the more conservative accounting standard AASB 9 Expected Credit Loss has led



to an increase in our provision for impaired assets this year to 0.24% of gross loans and advances. This remains well below the big four banks' average of approximately 0.70% reported in their half year results for 2019.

The year ahead

The Board and management continuously review Gateway's strategy in the context of the rapidly changing environment, both to mitigate challenges and seize opportunities. Going forward, fiscal 2020 sees our refreshed strategic priorities focusing on scalability to meet

the demand we see from a resurgence of customer-owned banks.

In today's world, consumers have expectation transfer – the service that we receive in one industry, we expect in another. Gateway is investing in its future by digitising its home and consumer loan processes, providing a better Member experience whilst allowing us to attract more customers.

Throughout this process, we are conscious of preserving the human touch that differentiates us from our competitors. We know when Members call us

that we are not dealing with mortgages and paperwork, but the excitement and trepidation of buying a home. This was echoed by Amanda, a Gateway Member for over 44 years, "We took out our mortgage in 2001 and Gateway were amazing. Our mortgage specialist was there with us every step of the way and explained all product options to us. Not to mention, rates were very competitive."

If our Members are in difficulty, they are not a problem customer but a customer with problems that we can help overcome. Not many banks can boast that their call centre operatives will

hand-deliver a deposit book to an elderly customer on the way home. It is this personalised service and authentic care for our Members that leads to our strong word-of-mouth results.

As well as external changes, this year saw a shift in our Senior Leadership Team. We said farewell and thank you to Paul Thomas at the end of March as he retired after 14 years at the helm. As CEO, Paul guided Gateway through a number of major milestones, including the acquisition of Broadway Credit Union's loans and deposits in 2009, the Global Financial Crisis, and a period of expansion and growth as a public credit union. The Board conducted an exhaustive search process for Paul's successor, resulting in the

promotion of Lexi to the CEO role. Lexi has been with Gateway for four years as its inaugural Chief Customer Officer. We congratulated Peter Buzek, who after eight years of service, was elevated to the newly created role of Chief Technology Officer. We welcomed new experience in Debra Landgrebe replacing Peter Gilmore, as Chief Financial Officer and Ritu Sinha as Lexi's replacement as Chief Customer Officer.

The Board is also undergoing transformation, in line with its renewal strategy. In July 2019, Mal Graham (26 years service) and Rene van der Loos (11 years) completed their terms; these vacancies have been filled by Chris Franks and Andrew Black, who bring broad experience and

new perspectives to the Board. I would like to thank the Board for their hard work and commitment over the year.

We achieved a great deal against a background of challenging market conditions in 2018-19, and we have high expectations for next year as more people become aware of the benefits of banking with customer-owned banks.

We would like to thank the entire Gateway team and Members, new and old, for their continued support.

With thanks,



Catherine Hallinan
Chair



Lexi Airey
Chief Executive Officer

Board of Directors



Catherine M Hallinan

Chair

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

Experience and special responsibilities

Catherine joined the Board in June 2006 and was appointed Chair in May 2012. Catherine is also a director of health fund, HCF (and its subsidiary companies HCF Life Limited and Manchester Unity), Lawcover (comprising Lawcover Insurance Pty Limited and Lawcover Pty Limited), SCOR Global Life Australia Pty Ltd and St. Catherine's Aged Care Services. She has over 30 years' experience in banking, finance and management consulting.

- Deputy Chair (March 2010 to May 2012)

Committee Memberships

- Nominations & Remuneration (July 2014 to present)
- Risk (March 2014 to December 2018)
- Audit (March 2014 to present)



Robyn L FitzRoy

Non-Executive Director

BA, MA, FAICD

Experience and special responsibilities

Robyn joined the Board in January 2015. She is also a director of the Self-Managed Super Fund Association and of Diversa Trustees Ltd. She has over 20 years' experience in the financial services industry and is a former executive director of Macquarie Bank. Robyn is a management consultant specializing in governance and is a former non-executive director of CUSCAL. She also is an accredited facilitator and author of courses for the Australian Institute of Company Directors.

Committee Memberships

- Convenor Nominations & Remuneration (December 2015 to present)
- Risk (January 2017 to present)



Malcolm S Graham

Non-Executive Director

MA, F Fin., FAMI, MAICD

Experience and special responsibilities

Mal joined the Board in July 1992 and has over 45 years' banking and finance experience. Mal has held senior positions with the Commonwealth Bank, ING Funds Management and Uniting Financial Services. Mal was formally a non-executive director of Australian Mutuals Institute (2007-February 2016).

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

Committee Memberships

- Audit (February 2015 to present)
- Nominations & Remuneration (March 2014 to December 2016)
- Risk (January 2017 to present)



Graham B Raward

Non-Executive Director
BComm., M Applied Finance

Experience and special Responsibilities

Graham joined the Board in June 2006. He has over 46 years' banking experience and was formerly Executive Manager, Group Funding of the Commonwealth Bank of Australia.

- Deputy Chairman (May 2012 to February 2013)

Committee Memberships

- Risk (March 2014 to December 2016)
- Audit (January 2017 to present)
- Nominations & Remuneration (January 2017 to present)



Irene H van der Loos

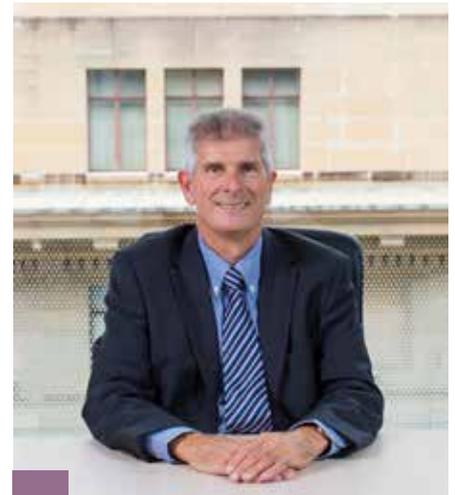
Non-Executive Director
GAICD

Experience and special responsibilities

Rene joined the Board in February 2008 and was most recently General Manager, Living Well Navigator & Emerging Businesses at NRMA Motoring & Services. Rene has 14 years' banking experience and was formerly a Director of Sydney Ports Corporation (2006 – 2012).

Committee Memberships

- Convenor of the Audit Committee (January 2018 to present)
- Nominations & Remuneration (April 2008 to December 2018)
- Audit (March 2014 to present)
- Risk (January 2019 to present)



Steven R Carritt

Non-Executive Director
BA (Accounting)

Experience and special responsibilities

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

- Deputy Chairman (January 2003 to December 2004)
- Chairman (January 2005 to February 2010)

Committee Memberships

- Convenor Risk (March 2014 to present)



Peter M Schiller

Non-Executive Director
MBA, Grad Dip. Banking & Fin. MAICD

Experience and special responsibilities

Peter joined the Board in July 2018 and has nearly 40 years' banking experience in executive management roles in Risk, Relationship Management, IT and Audit with both the

Commonwealth Bank of Australia and the ANZ Banking Group.

Committee Memberships

- Audit (July 2018 to present)
- Risk (July 2018 to present)

Senior Leadership Team



Debra, Ritu, Lexi, Gerald and Peter

Debra Landgrebe

Chief Financial Officer
CA (SA)

Ritu Sinha

Chief Customer Officer
BCom, MBA

Lexi Airey

Chief Executive Officer
BA (Hons), MSc, GAICD

Gerald Nicholls

Chief Risk Officer
B Bus

Peter Buzek

Chief Technology Officer
BSc, CRISC, CISM

Values

“Over the last three months of fiscal 2019, we revisited our strong company values and took the opportunity to update them while remaining true to our roots.”



DO THE RIGHT THING



NOT “WORK” BUT MAKING A DIFFERENCE



STUMBLE DON'T FALL



PASSION



“SMALL UP” DO MORE WITH LESS

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