



Gateway Bank  
**Annual Report**  
**2020**



## FINANCIAL METRICS



NPBT: \$3,866K  up 28%

ROA: 0.25%  up 0.05%

NIM: 1.70%  up 0.04%

Cost to income: 72.84%  down 5.44%

## SUSTAINABILITY



The move to a paperless office and digital enhancements detailed later in this report not only improve customer experience but contribute to reducing our environmental footprint.



\$10.8M invested in Peer-to-Peer Green Loans through Plenti (formally known as RateSetter)

## CULTURE

New purpose and values launched

Mutual relationship with co-operative Reverse Garbage launched



95%  
I see the values demonstrated around me



Business and customer understanding launched

96%  
I know the contribution I make to the business



89%  
I know the contribution I make to the customer



## PRODUCTS AND SERVICES



Inclusion in the First Home Loan Deposit Scheme



Product Awards



# 65<sup>th</sup>

## Birthday

### CUSTOMER CENTRICITY



**55%**

*of customers answered yes to "have you recommended Gateway?"*



**86%**

*Customer Satisfaction remained high*



**82%**

*Employee right first-time score*



**+42**

*Net promoter score - high against industry standard*

### CUSTOMER EXPERIENCE



*Digitised home loan and personal loan applications*



*Easier to open Memberships, savings accounts and term deposits*





## *JANE GILLINGS*

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Gateway recently commissioned eco-artist Jane Gillings to create a fantastic installation of our logo, which appears on the cover page of this Annual Report. Jane has been creating beautiful art for over 30 years and uses discarded components and objects to create conceptual sculptural installations and visual puzzles that focus on the need to hold on to memory and minimise loss.

Her work is guided by the material she uses, which is sometimes altered to become a ghost of what it once was, yet maintaining enough integrity to be recognisable with careful inspection from a curious audience.

She has been a finalist in several outdoor sculpture exhibitions including Sculpture at Scenic World, Sculpture at Sawmillers and Sculpture by The Sea where she has exhibited 11 times.

Image by Greg Lippiatt

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# A message from the Chair & CEO

## ***THE YEAR IN REVIEW***

Gateway's 65th year is not one our founders could ever have predicted. Fiscal 2020 saw the country battered by drought, bushfire, and COVID-19. Overnight, the way we live and work changed beyond recognition and is expected to remain so for some time.

Gateway's first priority is its community – its Members and employees. We were proud to be able to support our Members throughout these difficult times. Access to all of our services has continued throughout lockdown; our call centre moved seamlessly to home working and the branch remained open its usual hours. We were able to speak individually with almost every Member affected by COVID-19 as we know that in stressful times a friendly voice is key. This same level of care and understanding was provided to those Members affected by drought and bushfire earlier in the year.

Supporting our people in these challenging times has been a key focus. Gateway proved its operational resilience and was able to quickly implement and adapt to remote working for all employees and functions within the business. The lockdown coincided with an already planned roll out of digital improvements for current and new Members as part of our scalability strategy, making the improvements to customer experience and self-service they brought more important.

## FINANCIAL PERFORMANCE OUTCOMES

COVID-19 dampened an already slowing economy and brought with it a raft of economic, fiscal and regulatory changes, including an out of cycle rate change as the Reserve Bank sought to boost activity. Against this uncertain environment, Gateway focused heavily on the execution of its strategy, managing its cost of funds, and keeping operating costs flat through innovation and effective use of resources. Diversification of offerings and partners allowed Gateway to extend its reach in a cost-effective manner. Gateway focused on growing sustainably, and despite the challenges presented by lower interest rates and COVID-19, the majority of its metrics were above forecast, including NPBT of \$3,866,000 an increase of 28% on Fiscal 2019. Return on Assets ended the year at 0.25%, an improvement of 0.05% over the course of the year; NIM improved by 0.04% to 1.70% and Cost to Income improved by 5.44% to 72.84%. Furthermore, in response to COVID-19, a significant Expected Credit Loss (ECL) provision of \$1,556,000 (pre-tax) was raised. Excluding the COVID-related provision, Gateway's underlying NPBT would have been \$5,422,000.

After a subdued first half of the year, Gateway's inclusion in the First Home Loan Deposit Scheme saw the bank grow above market for home loans in the third quarter. However, the advent of COVID-19 and a combination of social distancing practicalities that stalled physical auctions and lowered consumer confidence,

slowed the housing market in the fourth quarter. Gateway's retail home loan portfolio thus decreased as it focused on sustainable business growth against a background of heightened competition and a slowing economy. Home loan growth for Fiscal 2020 was -4.4%.

Fiscal 2020 saw Gateway further diversify its portfolio into commercial lending. The portfolio grew \$15.7m over the first three quarters of the year, however opportunities slowed as COVID-19 took hold in the final quarter.

After last year's increase of 38.4% retail deposit growth ended the year down 10.1%. During the year Gateway participated in the Reserve Bank of Australia's Term Funding Facility and wholesale deposits increased 38.7% as part of its focus on managing the cost of funds.

Volatility in markets further heightens the need for a disciplined approach to balance sheet management. Gateway continued to strengthen its balance sheet. Liquidity remained strong throughout COVID-19 and completed the fiscal year at 16.63%.

Gateway's Capital Adequacy Ratio - a core measure of financial strength, stands at 19.84%. This is significantly above regulatory requirements and provides a strong position from which to navigate challenges.

Throughout COVID-19 Gateway has implemented measures designed to provide immediate relief for Members experiencing current or expected financial difficulties as a result of COVID-19.



This includes offering an initial deferral on home and personal loan repayments for up to three months, now extended up to ten months or March 31st 2021, whichever is sooner. Gateway also allowed Members to access their Christmas Club accounts early online and without penalty.

Gateway managed its credit risk during the early stages of COVID-19 by continuing our sustainable approach to underwriting. Our serviceability assessments focussed on more stable income sources to avoid Members becoming overcommitted. We maintained our human touch through personal contact with the majority of our Members requiring assistance and tried to tailor our approach to their individual circumstances. The relatively small number of requests we received allowed an assessment of each individual position within a realistic timeframe, an option often not available to our larger competitors.





## POCKET AND PLANET

In late 2019 Gateway revisited its purpose and original reasons for being. The promotion of thrift was a focus of Gateway's original constitution and in FY20 we set off on a journey to bring this to life.

Thrift morphed into "Pocket and Planet" and the dual goal of enabling savvy financial decisions that benefit not just our Members' bank balance but promote using resources as economically and thoughtfully as possible for the sustainability of the planet.

COVID-19 has proved that these goals are not mutually exclusive. Indeed, Gateway's research showed that lifestyle changes brought about in response to the restrictions of COVID-19 have resulted in reduced costs that make a positive impact on the environment.

Pocket and planet can also be beneficial for the local economy which is much needed at this time.

Gateway is at the very start of this journey. A journey that

will include new products, partnerships and services. The journey started at a cultural level when in 2019, Gateway renewed its values to more clearly mirror its purpose. These new values can be seen on page 15.

The introduction of the "small up" do more with less value encourages employees to "embrace our beautiful constraints, don't see small budgets as a liability but an opportunity for a much more rewarding frugal innovation". In whatever we do, we aim to recycle, reuse, reduce, repurpose and share to minimise our impact on Members' funds.

During the year Gateway formed a mutual relationship with Reverse Garbage. Reverse Garbage is a co-operative with a role to save materials from going to waste in landfill and to renew their value by making them available for reuse by families, students, artists and community groups. The Gateway team have enjoyed volunteering at Reverse Garbage and hosting Reverse Garbage for a city-based Commuter Craft workshop and its Strategy day.

Reverse Garbage's contribution to our Member publications Gatepost and Dollaroo has been invaluable. Through Reverse Garbage, Gateway was able to contribute in a small way to the recent face shields for health workers campaign by donating its oversupply of binder fronts to make 200 shields.

Gateway were also pleased to work with SP Jain School of Management on developing innovative ideas around Pocket and Planet products and services.

Image caption:  
Kirsten Junor AM, Creative Director at Reverse Garbage  
Photo by: Ariella Jelic





## NEW PRODUCTS AND SERVICES

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In January, Gateway was selected to be one of 27 panellists on the newly launched First Home Loan Deposit Scheme. The Scheme is an Australian Government initiative to support eligible first home buyers purchase their first home sooner. Participation in the Scheme has resulted in bringing many new Members to Gateway and it is rewarding to know we have enabled these new Members to gain a foot on the housing ladder.

During FY20 Gateway received recognition in the form of industry awards for products on both sides of the balance sheet.

Accolades include two awards from Canstar: 5-Stars for the Low Transactor Deposit Account award for the Edge account and Customer Owned Institution of The Year - Term Deposit Award 2019.

Rate City awarded Gateway the Gold Award Investor Variable Home Loan for the Low Rate Essentials home loan.

## CUSTOMER EXPERIENCE IMPROVEMENTS

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Gateway continues to invest in its Members and over the year delivered several improvements to customer experience including a newly digitised home and personal loan process. The new loan system enhances the speed of applying and gaining a decision for a loan and making variations to current loans.

Gateway also implemented enhancements to make it easier to transact. It is now easier to open a membership online, opening and closing of savings accounts and term deposits online has also become easier for Members.

Mortgage Brokers are also our valued customers. Consumer choice means that a growing number of Members are introduced to Gateway via brokers. We have worked again to improve our services to brokers, and as well as digital enhancements, we have increased our support and communications.

Increased digitisation does not require Gateway to lose the human touch. Indeed, it allows time to add the personal touch in those areas that matter more to Members.

## CULTURE

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A customer centric culture is one of the greatest competitive advantages a company can possess.

Gateway's measures of customer centricity remain strong. Customer satisfaction is high at 86%.

Net Promoter Score measures how likely customers are to recommend a company or service. Gateway is proud of its net promoter score of +42. Big bank scores average in the negative or at best under +10, with more detractors than promoters.

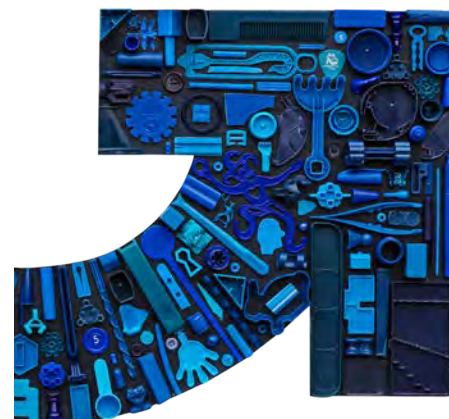
This year, Gateway also asked Members, not just how likely they were to recommend Gateway, but had they already recommended our products and services. 55% of customers surveyed said they had recommended us.

At the start of FY20 Gateway introduced its Business and Customer understanding scheme. Every employee is required over the course of the year to take part in attending and hosting sessions that enable themselves and their colleagues to better understand Gateway and its Members. Sessions are diverse and can range from shadowing branch activities, following a loan through the lending process, to sessions from Directors on their role.

The scheme serves several purposes; It enhances understanding and empathy, enabling a better customer experience. It mitigates risks. It provides employees with a wider view of the consequences of their actions enabling a sense of purpose and achievement.

In 2020, 96% of employees agreed "I know the contribution I make to the business", 89% "I know the contribution I make to the customer".

In 2020, 95% of staff agreed with the statement "I see the values demonstrated around me."





## THE YEAR AHEAD

COVID-19 has caused severe contractions in economic activity and will continue to have a profound impact on Australia's economy. Although the unwinding of lockdown measures in the latter part of the June quarter saw a noticeable recovery in the economy, recovery is expected to be protracted. Activity is expected to remain below pre-COVID-19 levels for some time as further outbreaks and the cautionary behaviour of businesses and households take their toll on unemployment and consumer confidence.

The housing market continues to provide contradictory indicators. The return of social distancing restrictions on the home buying process, affordability and consumer confidence will all take a toll. On the other hand, the government continues to generate demand through changes to stamp duty for first home buyers and the First Home Loan Deposit Scheme of which Gateway is a member.

The Board and management continuously review Gateway's strategy in the context of the rapidly changing environment, both to mitigate challenges

and seize opportunities. Risks, uncertainties and opportunities are given equal consideration, business assumptions made, and strategies put in place to address these.

The Board is confident that Gateway's assumptions, trajectory and current strategy are sound. Gateway is prepared for a range of economic scenarios and a subdued economy has been reflected in Gateway's strategy and forecasts going forward.

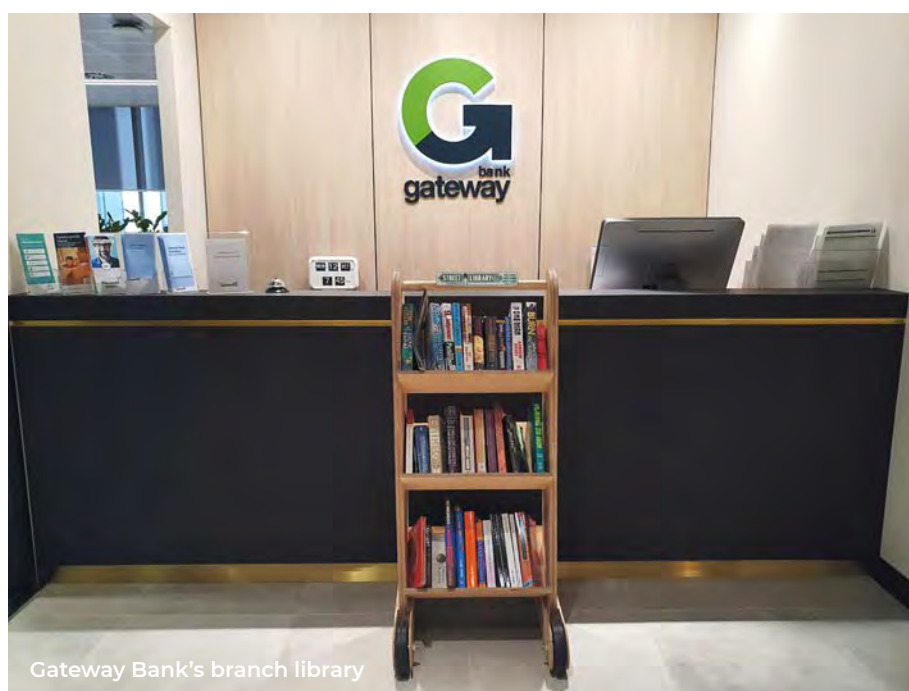
Home loans remain an important part of Gateway's portfolio, in particular the First Home Loan Deposit Scheme. This year again saw the number of home loans that are sourced via the broker channel increase. Broker is now the channel of preference for consumers. Gateway recognises the value of brokers and will continue to focus on increasing its support in this area.

Gateway will continue to progress the diversification of its portfolio through commercial lending. This focus

on diversification away from retail home loans, but still remaining true to Gateway's roots and core competencies, has become more important as COVID-19 has highlighted to all industries the hazards of over concentration in segments, be it geographical, industry or product.

Gateway made its commitment to Pocket and Planet. There are numerous new initiatives in train including achieving Climate Active Accreditation and Gateway's commitment to a responsible lending and investment policy.

Gateway's focus on scalability and automation is not a one-off project. Gateway will continue to improve its customer experience and the flexibility of self-service options for Members, potential customers and brokers whilst not removing the valued human touch. COVID-19 has demonstrated that digital improvements are key in this new dispersed environment where social distancing and virtual working will likely be the norm for some time.



Gateway Bank's branch library



## FINAL THOUGHTS

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Over the year our Board has undergone transformation in line with its renewal strategy. In August 2019, Chris Franks and Andrew Black joined Gateway. In August 2020 Steve Carritt completed his term after 28 years. In September 2020 Gateway welcomed Daniel Cassels to the Board. Graham Raward completes his term in November 2020 after 14 years. We would like to take the opportunity to thank both Steve and Graham for their time, dedication and treasury expertise that they brought to Gateway. We would also like to take this opportunity to congratulate Chris Franks on being awarded the Member of the Order of Australia in the 2020 Australia Day Honours for her significant service to the community through social welfare initiatives.

This year has been challenging for our Members and employees. Drought, bushfire, and COVID-19 have seen everyone pull together in unusual and often stressful times. The year has seen employees share the joy and excitement of helping first home buyers get a foot on the property ladder countered with COVID-19 where they have not just been helping Members everyday through difficult times, but dealing with their own personal lives and feelings too. For everyone, COVID-19 has brought with it an extra layer and volume of complexity in this new socially distanced work environment. We achieved a great deal against a background of challenging conditions and look forward to continuing to deliver high standards next year.

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

With thanks,



**CATHERINE HALLINAN**

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Chair

A handwritten signature in cursive script, reading "C Hallinan".



**LEXI AIREY**

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Chief Executive Officer

A handwritten signature in cursive script, reading "Lexi Airey".





# Board



## CATHERINE M HALLINAN

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

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)
- Audit (March 2014 to present)



## ROBYN L FITZROY

**Non-Executive Director**  
BA, MA, FAICD

Robyn joined the Board in January 2015. She is also a director of the Self-Managed Super Fund Association, Diversa Trustees Limited and Football Federation of Australia. 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 specialising 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 January 2020)
- Audit (January 2020 to present)



## GRAHAM B RAWARD

**Non-Executive Director**  
BComm., M Applied Finance

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.

### Committee Memberships

- Deputy Chairman (May 2012 to February 2013)

- Audit (January 2017 to August 2019)
- Convenor Audit (August 2019 to present)
- Risk (August 2019 to present)
- Nominations and Remuneration (January 2017 to August 2019)



## MALCOLM S GRAHAM

(Retired July 2019)  
**Non-Executive Director**  
MA, F Fin., FAMI, MAICD

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

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

### Committee Memberships

- Audit (February 2015 to July 2019)
- Risk (January 2017 to July 2019)



### **STEVEN R CARRITT**

**Non-Executive Director  
BA (Accounting)**

Steven joined the Board in July 1992. Steven has over 40 years' banking and finance experience and was formerly General Manager ALM with the Commonwealth Bank of Australia.

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

**Committee Memberships**

- Risk (March 2014 to August 2020)



### **IRENE H VAN DER LOOS**

**(Retired July 2019)  
Non-Executive Director  
GAICD**

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

**Committee Memberships**

- Nominations and Remuneration (April 2008 to December 2018)
- Convenor Audit (January 2018 to July 2019)
- Risk (January 2019 to July 2019)



### **PETER M SCHILLER**

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

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)
- Convenor Risk (January 2020 to present)



### **CHRISTINE FRANKS AM**

**Non-Executive Director  
BA (Statistics, Sociology),  
M Management (Community)**

Christine joined the Board in August 2019. She is a strong not for profit community leader having served as Chair and member of key mutual, not for profit, and government boards and committees for over 25 years with significant experience in aid

and development, health, advocacy, standard setting and microfinance.

**Committee Memberships:**

- Risk (August 2019 to present)
- Nominations & Remuneration (August 2019 to present)



### **ANDREW B. BLACK**

**Non-Executive Director  
Dip. Finance & Mortgage Broking,  
Dip. and Adv. Dip. Financial Planning**

Andrew joined the Board in August 2019. Andrew has over 35 years' experience in the financial services industry and was most recently an Executive Director and Founder of YOLO Financial Services (2014 to 2018). He has held general and executive

management positions with Citibank, Commonwealth Bank and St. George Bank and Managing Director positions at Skandia Australia Ltd and Plan B Group Holdings (ASX:PLB).

**Committee Memberships:**

- Audit (August 2019 to January 2020)
- Nominations & Remuneration (August 2019 to present)
- Risk (January 2020 to present)

### **COMPANY SECRETARY**

### **GERALD NICHOLLS**

**Chief Risk Officer, B Bus  
(February 2019 – December 2019)**

### **RYAN HOLMAN**

**Head of Product and Pricing, BComm  
(January 2020 – July 2020)**

# Senior Leadership Team



***LEXI AIREY***

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Chief Executive Officer  
BA (Hons), MSc, GAICD



***DEBRA LANDGREBE***

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Chief Financial Officer  
CA (SA)



***GERALD NICHOLLS***

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Chief Risk Officer  
B Bus



***PETER BUZEK***

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Chief Technology Officer  
BSc, CRISC, CISM



# Values

Not “work” but  
making a difference

Do the **right thing**

“**Small up**” do  
more with less

**Stumble** don’t fall

**Passion**



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