



A change for the better.
For our people, partnerships & planet.



2008 Annual Report
& Sustainability Overview

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

Margaret Mead



Registered Office

Credit Union Australia Limited

ABN 44 087 650 959

AFSL No. 238317

175 Eagle Street
Brisbane QLD 4000

GPO Box 100
Brisbane QLD 4001

Phone: 133 282

Hub Offices

Brisbane

175 Eagle Street
Brisbane QLD 4000

GPO Box 100
Brisbane QLD 4001

Melbourne

535 Bourke Street
Melbourne VIC 3000

GPO Box 2612
Melbourne VIC 8060

Sydney

309 George Street
Sydney NSW 2000

GPO Box 7013
Sydney NSW 2001

Branches

With over 70 branches across Australia, there is sure to be a branch near you. Visit www.cua.com.au to find your nearest CUA branch.

Subsidiary Companies

CUA Financial Planning Pty Ltd
ABN 60 010 003 853

CUA Friendly Society Ltd
ABN 34 087 649 241

CUA Health Ltd
ABN 98 098 685 459

CUA Travel Pty Ltd
ABN 72 009 991 002

Credicorp Finance Pty Ltd
ABN 79 010 052 981

Credicorp Insurance Pty Ltd
ABN 50 069 196 756

Affiliations

Abacus - Australian Mutuals

Australasian Mutuals Institute

Credit Union Foundation Australia

World Council of Credit Unions

Table of Contents

Chair and Managing Director's Review	4
Our Highlights	6
Group Highlights	
Key Financial Statements	
Our Passion	8
Purpose, Vision and Values	
Our Approach	10
The Board	
Remuneration	
Risk and Compliance	
Operational Ethics	
Board Members	
Executive Team	
Our People	16
Members	
Employees	
Workplace	
Our Partnerships	20
Community Investment Program	
Volunteerism and Release Time	
Staff Fundraising, Merchandise Sales and Financial/In-kind Support	
Our Planet	22
Energy Consumption	
Climate Change	
Materials	
Waste Management Practices	
Suppliers	

Chair and Managing Director's Review

CUA has achieved solid results in what has been a very challenging year for the financial sector. Our passion for what we do best, supporting our members in making a change for the better, has continued to drive our performance.

The Year in Review

At the close of the 2007/08 financial year the Australian economy and finance industry continued to feel the effects of volatile financial markets flowing from the impact of the sub prime loan problems in the United States. Additionally the Reserve Bank of Australia was tackling high inflation by increasing official interest rates four times during the year.

As a result of this, the consolidated profit from underlying operations fell by 16.7% to \$36.7 million for the year. However, this remains 10.6% above the \$33.2 million result recorded in the 2006 year.

The impact on the results has been mainly felt through net interest revenue which fell 8.1% as the group responded to an unprecedented number of interest rate changes and pricing pressure on both sides of the balance sheet.

CUA continues to put members before profits. The rapid rise in lending rates had the potential to significantly affect our members and as a result, CUA took the decision to absorb some of the impact which reduced profits for the group.

Total assets for the group rose 13.3% over the year to nearly \$7.5 billion. However with economic conditions tightening, we are now seeing reduced borrowing demand. This is also a result of the decision taken in April 2008 to cease accepting loans originating via mortgage brokers. With the rise in cost of wholesale funding, these loans could no longer be written at profitable levels for the group.

The consolidated group accounting profit of \$60.6 million for the year includes the impact of two specific items. During the year we sold our Sydney office in Kent Street generating a one-off after tax profit of \$9.4 million. This was an excellent result for the group and above our initial expectations.

The other specific item relates to the accounting treatment of mark-to-market revaluations of derivatives used in our operations to hedge and reduce interest rate risk. This year an after tax gain of \$14.6 million has been recorded. However, as the derivatives are normally held to their maturity, over the life of each, the mark-to-market revaluations will produce a net nil gain/loss. Accounting standards require these amounts be included in the group's accounting profit but they do not represent an accurate reflection of the underlying performance of the group so they are separately reported.

CUA's continuing solid performance has enabled us to buffer some of the impact undoubtedly felt by our members. Over the past 12 months, we have:

- Increased the interest paid on investment accounts providing greater returns for our members
- Continued our responsible lending practices
- Maintained our standard variable home loan interest rates below the major banks
- Enhanced our fair fees policy ensuring an equitable fee structure that rewards those members who do most of their banking with us

Following our investment in a new hub office in Melbourne during 2007, CUA moved to a new Sydney hub office in George Street during 2008 which has significantly increased the quality and standard of accommodation for our Sydney based staff.

Regulatory Landscape

Against the backdrop of a new Federal Government, other significant events in the regulatory policy landscape in 2007/08 that will impact on CUA include:

- Council of Australian Government's (COAG) decision to improve consumer protection by transferring the regulation of all consumer credit to the Federal Government in the form of the Uniform Consumer Credit Code
- Launch and implementation of the Federal Government's Account Switching Package aimed at making it easier for Australians to switch financial institutions
- Introduction of direct charging with the industry review of ATM interchange fees

CUA is currently in the process of preparing to implement these policy initiatives into our systems and processes.

Brand Blitz

CUA welcomed a new face to the organisation this year with the launch of a national media campaign featuring one of Australia's most well known TV personalities, Scott Cam from 'Domestic Blitz'. The campaign challenged Australians to compare CUA with the banks and to consider our difference. Results to date have shown a significant increase in brand awareness.

We are refreshing our branch network with new CUA signage which is being rolled out over the course of the 2008 calendar year. We have also adopted a new branch design.

Additionally, as part of our continuing efforts to improve the member experience, our website (www.cua.com.au) has been redeveloped to provide easier access and greater functionality.

Helping Australians through 'Change'

CUA also welcomed Relationships Australia (www.relationships.com.au) as our new national community partner in a commitment to support the well-being of Australian families. Like CUA, Relationships Australia is a national leader in supporting people through change. They provide personal, relationship and family counselling, mediation and education services to help with issues such as gambling, addiction, depression, family violence, parenting, communication and relationship building.

The partnership is the product of significant staff and member research, rigorous screening and due diligence and a nationwide search. Our commitment will deliver a three-year, national program to arm Australians with the life skills and resources to affect positive, personal change by building better relationships for themselves and their families.

It is a tremendous opportunity for CUA to be a part of something that will make a real difference to the lives of over 100,000 Australian men, women and children each year.

Building a Sustainable Future

CUA is committed to building a sustainable future. We understand that being a responsible corporate citizen is about balancing the needs of today to ensure our continued ability to thrive in the future.

With this goal in clear sight, 2008 has been about formalising our sustainability framework within our governance processes which reinforces the values of CUA. For the first time, we have also incorporated sustainability reporting into the contents of this year's annual report.

How we work with our people, both members and employees, our approach to our ethical responsibilities and how we support our communities will remain critical considerations for CUA as we build a sustainable future.

Thank You

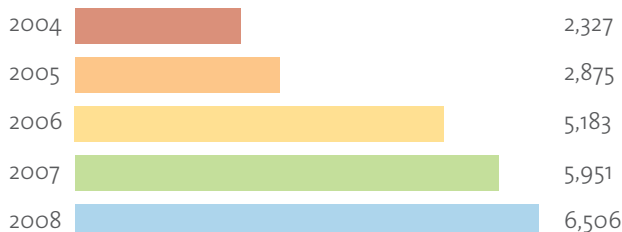
We recognise the dedicated service to CUA by Terry Coles who retired from the Board on 31 December 2007.

Our thanks also to all our members and our committed management team and hardworking staff for another successful year.

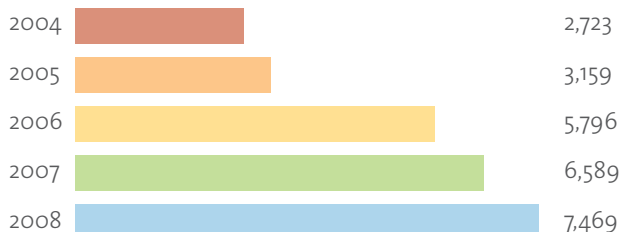
Kevin Ross
Chair

Graham Olrich
Managing Director

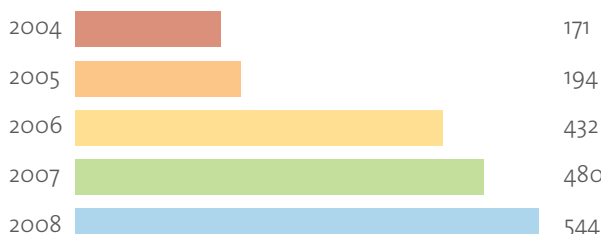
Loans under management (\$ millions)



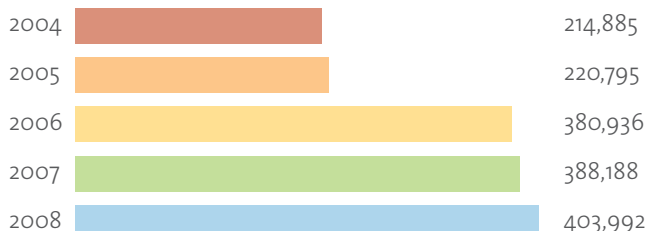
Assets under management (\$ millions)



Members' funds (\$ millions)



Membership



Underlying Net Profit After Tax (\$ thousands)



"CUA's underlying profit is down this year as we took the decision to absorb some of the increases in interest rates rather than pass on the full effect to our members."

Our Highlights

"If you focus on results, you will never change.
If you focus on change, you will get results."

Jack Dixon



Group Highlights

FIVE YEAR STATISTICAL SUMMARY	2008	2007	2006	2005	2004
Members (number)	403,992	388,188	380,936	220,795	214,885
Capital Adequacy (percentage) *	14.82	17.03	16.68	14.47	14.28
	\$'000	\$'000	\$'000	\$'000	\$'000
Member Deposits	4,233,816	3,512,963	3,306,810	1,524,141	1,458,480
Member Loans Under Management	6,505,923	5,950,579	5,183,284	2,874,764	2,327,443
Loans Issued	1,690,701	1,802,676	1,179,988	1,047,224	1,176,794
Total Assets Under Management	7,468,701	6,589,223	5,795,901	3,158,728	2,722,809
Member Funds	543,682	480,305	432,006	194,231	170,614
Total Income	669,490	536,436	408,657	269,651	199,968
Total Expenses	585,910	470,464	355,610	239,540	172,795
Underlying Net Profit After Tax	36,670	44,010	33,161	21,341	16,120

* Calculated under the revised APRA Prudential Standards which exclude controlled entities, which are also supervised by APRA or an equivalent regulator in the insurance, friendly society or health fund sectors. On 1 January 2008 new capital requirements came into effect using a revised set of prudential standards known as Basel II. Capital adequacy calculations for all previous years were made under previous Basel I prudential standards.

Key Financial Statements

SIMPLIFIED PROFIT AND LOSS ACCOUNT	2008	2007	SIMPLIFIED BALANCE SHEET	2008	2007
	\$'000	\$'000		\$'000	\$'000
What We Earned			What We Own		
Interest Received - Loans	452,041	384,132	Land and Buildings	6,263	15,057
Interest Received - Investments	55,040	33,497	Plant and Equipment	26,356	20,836
Contribution Income - CUA Health	54,155	50,879	Cash and Investments	867,057	553,531
Fee and Commission Income	38,577	39,680			
Other Income	69,677	28,248	Plus What is Owed to Us		
Total Income	669,490	536,436	Member Loans	6,500,653	5,945,751
			Other Assets	68,372	54,048
What We Spent			Total Assets	7,468,701	6,589,223
Interest Paid - Member Deposits	195,616	148,408			
Interest Paid - Other Borrowings	188,811	135,807	Deduct What We Owe		
Staff Costs	49,988	49,049	Member Deposits	4,233,816	3,512,963
Benefit Payments - CUA Health	44,751	44,403	Borrowings	2,641,544	2,550,899
Commissions and Fees	32,987	32,234	Amounts Payable	42,916	39,017
General Expenses	73,757	60,563	Other Liabilities	6,743	6,039
Total Expenses	585,910	470,464	Total Liabilities	6,925,019	6,108,918
Operating Profit Before Tax	83,580	65,972	Net Assets	543,682	480,305
Income Tax Expense	22,891	17,636	Less Outside Interest in	1,301	1,233
Specific Items After Tax	23,951	4,242	Controlled Entities		
Profit Attributable to Minority	68	84			
Interest			Leaving What Members Own	542,381	479,072
Underlying Net Profit After Tax	36,670	44,010			