Media Release

11 August 2015

Heritage Bank announces improved loan growth in 2014/15

Heritage Bank has today released unaudited financial results for the 2014/15 year showing loan approval growth of almost 30% for the year.

Heritage approved loans worth $1.838 billion in 2014/15, up 27.6% on the $1.440 billion approved the previous year. That helped Heritage's overall loan portfolio to grow by $227 million, a 3.5% increase.

The pre-tax profit for the year was $48.01 million, a 4.1% decrease on the previous year. The after tax profit was $33. 61 million, down 6.0%, with the slightly higher decrease a result of franking credits from the previous year.

Chairman Mr Kerry Betros said the results reflected Heritage's strategic commitment to growing its loan book and ongoing investment in its digital transformation.

"Growth is a key driver in our corporate strategy and the 27.6% increase in loan volumes this year is a direct outcome of that goal. We will continue to look for growth in subsequent years, on the back of our extremely competitive pricing, great product range and personalised service.

"Our profit result was constrained to a degree by the significant investment we are currently making in our digital technologies, both customer-facing and back office.

"We are in the middle of a five-year Digital Transformation program that is ensuring we invest in the technology and staffing resources needed to capitalise on the rapidly advancing digital technologies in banking.

Mr Betros said the bank's mutual philosophy also influenced the final profit result.

"The bottom line is that as a mutual bank, we exist to serve our customers," he said.

"Our goal isn't to maximise profit like the big banks. We must maintain profitability to meet prudential capital requirements and support investments in the business. But we must also deliver excellent value to our customers by providing superior products, at highly competitive rates, and with great service.

"Proof that we are doing so is that Heritage ended the financial year with a Roy Morgan customer satisfaction rating of 93.5%, the highest in Queensland.*

"Our solid profit result achieves the right balance for Heritage and our customers.

Heritage grew its total consolidated assets marginally to $8.557 billion in 2014/15, an increase of 0.4%. This confirms Heritage's standing as Australia's largest customer-owned bank.

Heritage's capital adequacy ratio at 30 June 2015 was 13.37% and its liquidity ratio was 19.39%, well above regulatory requirements

**Roy Morgan Research, Consumer Banking in Queensland: Customer Satisfaction. MFI rating as at 30 June 2015*

Retail deposits also grew by $154 million during the year to total $4.861 billion.

CEO Mr John Minz said the 2014/15 year was one in which Heritage accelerated its transformation journey.

“Digital technologies are revolutionising the world of banking and we are responding. In 2014/15 we released a totally new mobile banking app, significantly improving the way our customers can use their smart device to carry out their banking needs.

“We also completely updated our website, and even launched our own mobile payments app, which allows our customers to use their smartphone to authorise payments at Visa payWave terminals.

“We have also continued a number of projects that aim to simplify our processes and make it easier for customers to do business with us.

“Toward the end of the financial year we also unveiled our new flagship branch at Robina on the Gold Coast, which incorporates a radically different approach to branch design, technology and services.

“The branch does away with the traditional row of tellers behind a counter, and has an open-plan layout that uses technology better to satisfy customer needs.

“We will use the Robina branch as the template for all our branch re-fits and upgrades in future.”

Heritage’s mortgage loan arrears greater than 30 days was 0.39% at 30 June 2015, about a third of the industry average.

Mr Minz said: “That achievement speaks volumes about the prudent approach we take to lending and also about the work that we do with customers to make sure they can stay on top of their loan obligations.”

ENDS

For more information please contact:
Andrew Fox, Corporate Communications Manager, 0419 714 204; fox.a@heritage.com.au

For further Heritage information go to www.heritage.com.au