

# Annual review

2010 - 2011

## Chairman's report

The 2011 financial year saw us maintain our strong financial position. Our asset base grew to \$3.5 billion a growth of 14% on 2010. This was reflected in our surplus for the year of \$29.14 million and raised our capital reserves to \$290 million.

Our capital adequacy ratio, calculated in accord with the Australian Basel II requirements, stood at 15.65% at the end of the financial year. This is significantly above minimum requirements and provides plenty of cushioning for future regulatory changes. This ratio exceeds many of our major competitors.

The last six months of the year were exceptional. While many other institutions were struggling to lend we continued to set new records. Our new loans funding reached \$81.3 million in March in new applications. Our existing members continued to choose to refinance with us as did many who chose to refinance with us from other institutions.

The 2011 year will also be remembered for the Federal Governments Competitive and Sustainable Banking Package. This initiative will provide \$15 million to a consumer awareness campaign aimed at encouraging competition in the finance industry. We are actively working with ABACUS, our industry association, to leverage this opportunity for our industry.



**John Kouimanos** Chairman

Being financially strong allows us to provide competitive products and services to you our members and, invest in people, technology and innovation to deliver a superior banking experience. Excellent financial performance translates to strong financial return for members.

As the third largest credit union within the mutual banking sector, as measured by on-balance sheet assets, being accessible and relevant to our members is of paramount importance. You can be assured that we will continue to manage the credit union in your best interests and ensure our products and services are accessible, fair, competitive and low in cost.

# We have had a great year

## Mutuals working together

The mutual industry has acknowledged the need to work as a group to promote the benefits of joining a banking institution that puts members first. We were involved in a working group which represented more than 80 credit unions and building societies. Pooling resources resulted in the 'It all comes back to you' awareness marketing campaign which ran for 12 months across newspapers, television and online. Market research has shown that awareness of mutuals has risen from 30% to 40% as a result of this campaign.

## Awards and recognition

### Recognised as a leader in the financial industry

Teachers Credit Union is increasingly being recognised by the financial industry as a significant industry commentator. This year we have seen greater exposure in the media than ever before, with stories that promote our unique offering to our members.

### Our service

In September 2010, CHOICE Magazine published the results of their annual Bank Satisfaction Survey. For the second year in a row, Teachers Credit Union had the highest overall satisfaction rating for transaction accounts, and also scored the highest satisfaction rating for customer service, product range as well as internet and phone banking. We also improved our ATM access score.

The acknowledgment of our exceptional service, from arguably Australia's most respected independent consumer advocate, is testament to our continued efforts to create high value products and services for our members.

### Our products

Our products on both sides of the balance sheet continue to be highly competitive and delivered with exceptional service levels. We will continue to maintain our efforts to ensure these are our trademark offerings. Teachers Credit Card, Online Savings account, a selection of our car loans, My First Home Loan and the Everyday account have all been awarded a star rating by CANSTAR CANNEX, the independent financial services research group. CANSTAR CANNEX star ratings are awarded to products offering outstanding value. As a member and consumer, this is your guarantee of a high-performance product.



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## We won a national Sustainability Award

We received the 2010 National Sustainability Award from the mutual financial services sector industry body ABACUS, for our Teachers Environment Fund. The Awards are an opportunity to acknowledge and celebrate excellence within the industry and are judged across 131 credit unions and building societies.

## Employer of Choice for Women

For the fourth year running we have again been recognised as an Employer of Choice for Women (EOCFW). We are one of only 98 organisations across Australia to receive the 2011 citation from the Equal Opportunity for Women in the Workplace Agency (EOWA).

The EOFCW citation is awarded to non-government organisations with more than 100 employees that have demonstrated they have policies and practices dedicated to supporting women across the organisation, achieving positive outcomes for both women and the business.







## Corporate responsibility - a core business value

As a credit union and a mutual organisation, corporate responsibility is firmly rooted in our values. We recognise that success cannot only be measured in terms of profits and growth, but also in how we engage with and support the community, our members and employees, and how we minimise our impact on the environment.

### Doing our bit for the environment through schools

Since 2008, the Teachers Environment Fund has distributed just over \$200,000 to a total of 57 schools and 2 TAFEs across NSW, ACT, NT and WA. \$40,000 of this total was contributed by us on behalf of our members who switched from paper to online statements. In 2010, we doubled the amount awarded for the second round, and increased the total schools funded from 19 to 23.

These projects have provided teachers with the opportunity to promote sustainability through practical learning experiences that embeds sustainability in the students' thinking. The fund opens twice a year for applications.

### Promoting financial literacy

In 2009, we launched a new community program in WA to assist financial literacy initiatives in public schools. The goal of the program was to assist teachers to empower their students with financial knowledge. This year, we offered a total of \$25,000 in grants to public schools in WA to assist in implementing a financial literacy project (grants are up to \$2,500 each).

### School Aid

Natural disasters were close to home in 2010/11 with the Australian cyclone and floods. We contributed \$100,000 to the School Aid organisation, who co-ordinate funding for support programs and replacement of resources for flood-affected schools in Queensland and Victoria.

### Future Teacher Scholarships

We are passionate about the value of public education. The Future Teacher Scholarship is awarded to students who understand the value of public education and the need to be proactive in promoting financial literacy when they get into the classroom. This year, we had an overwhelming response, with over 180 high quality applications. Due to this, an additional scholarship was awarded, bringing the total number to 6 for 2011.

### Community partnership and investment

We are committed to investing a minimum, of 3% of net profit after tax (NPAT) back into corporate responsibility initiatives. This year, our total investment amounted to \$894,000. Of this we invested \$791,555 directly into the community, including:

- ▶ Support for over 100 teacher development conferences
- ▶ Bush Children's Education Foundation
- ▶ NSW Department of Education and Training programs in the Creative and Performing Arts program
- ▶ WA Education Awards
- ▶ ACT School Sport
- ▶ The Pakistan Flood Relief Appeal
- ▶ Exchange Teachers League
- ▶ NSW Primary and High School Sport



## Five years progress

	2007	2008	2009	2010	2011
Membership	147,019	155,314	157,589	155,875	155,765
Member deposits <sup>1</sup>	1,648,142,080	1,960,757,245	2,474,949,302	2,552,498,881	2,860,306,385
Loans <sup>2</sup>	1,621,510,676	2,029,522,844	2,194,521,508	2,435,145,369	2,777,971,717
Assets	1,933,635,684	2,408,985,873	2,892,928,815	3,098,793,613	3,522,278,955
Reserves	196,261,129	216,275,154	236,339,918	261,008,909	290,151,835
Profit after income tax	23,948,733	20,014,025	17,557,829	24,668,991	29,142,926
Capital adequacy	14.82%	15.80%	15.50%	16.03%	15.65%

<sup>1</sup> Member deposits are made up of all savings accounts, term deposits and shares excluding interest accrued.

<sup>2</sup> Loans and total loans prior to deduction of provision for impairment.

## Investment in technology

### Phone system

We continue to implement new technology to our phone system. When members call at the busiest time of the day, the system advises their position in the queue and provides the opportunity to request a call back. This has resulted in reducing the inconvenience for members of being on kept waiting on hold.

### Improving internet banking

You may have noticed some changes to internet banking throughout the year. A basic design change has made the login process much clearer and we've added functionality so that you can open additional accounts making it easier to manage your finances.

### Introducing online identification verification

The joining experience for new members has improved drastically with the inclusion of an identity verification section on our online membership application. The joining process is now less complicated and has led to a reduction in administration costs.

## Process improvements

### Transaction account fee review

We had a major review of our transaction fee structure. The new structure provides greater choice and encourages our members to develop a deeper relationship with us and be rewarded for that relationship. The much broader range of exemptions has substantially reduced our fee revenue and yet we still remain a very low fee income mutual. However, with transaction costs charged to our business by third parties ever increasing, the Board has had to balance the extent of free services we can offer with sound business practice.

### Statement review

A review of the statement process resulted in a fresh new look that is easier to read and provides extra information. The streamlined statements have resulted in 30% decrease in delivery costs and most importantly we have significantly reduced the environmental impact of the printing process.

### Giving members the choice - email or paper

We are committed to evolving our online services offering. Not only can members view statements online, but they can now choose to receive newsletters, marketing, product change information and notices via email or post. We've recently launched eCommunications with an email version of Chalkboard and look forward to broadening our eCommunications over the next 12 months. This will have a significant impact on mailing costs and also facilitates our commitment to reduce paper usage.

### New BSB

We have changed our BSB this year to 812-170 in order to simplify and gain greater flexibility in our transaction processing systems. This will assist us to rationalise costs and to make changes to benefit members. We continue to work with our key stakeholders to ensure the transition period has as little impact on members as possible.

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## Meet Future Teacher – Kristie Keats

Heathcote teaching student Kristie Keats has worked four jobs at the same time to fund her studies at the University of Wollongong.

Growing up in a family of eight, Kristie and siblings all helped out at home along with working part-time to support themselves. Kristie's passion for children is such that three of her most recent jobs have involved caring for children.

Juggling her work commitments with full-time study is not an easy task, and Kristie said the Future Teacher Scholarship would help relieve some of that pressure.



### Photos of our members

- 01 Dom and Lauren
- 02 Mark's family
- 03 Rachel and family
- 04 Mark and family



# The year ahead

The Mutual Banking Code of Practice is an important public statement and is representative of our commitment to improving the financial wellbeing of our members. It reinforces our commitment to the benefits of mutuality, competitively priced products, community involvement, fairer fees and member service.

Over the next 12 months, we will witness a profound shift as credit unions and building societies consider changing their name to mutual banks. In fact, this has already started with mecu being the first credit union with Australian Prudential Regulatory Authority (APRA) approval to rename itself as bankmecu. Queensland Teachers Credit Union also has received its approval to trade as QT Mutual Bank and its members have overwhelmingly voted for the change to do so from October.

With the launch of *In the Know* on our website, we will be able to keep you up to date on the latest news regarding mutuals and the broader financial industry.

Our commitment to provide our members with easy online access will see further developments in mobile banking and greater functionality in internet banking to make financial management easier for our members.

We continue to review all processes and procedures across the business to enhance your banking experience. These changes not only improve efficiencies but also reduce costs. These changes are made to ensure delivery of exceptional member service at every point of contact.

Our main focus for the next financial year is to continue our sustainable growth to ensure we meet our members' expectations of competitively priced products and services while maintaining our excellent service levels.

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## Thank you

The passion and commitment of all of our staff at the credit union is reflective of the leadership of Steve James and the Executive team. Your credit union's continued growth, financial stability and market position within the financial services industry, will help secure the future of your credit union as the provider of exceptional service and competitively priced products.

I'd like to acknowledge the passion, diverse skills and experience that the members of your Board bring to the credit union. Each Board member brings a unique quality and expertise that allows us to strategically guide the credit union in the best interest of our members.

My thanks also to the Members Committee, their enthusiasm and dedication is greatly appreciated.

Finally, I would like to acknowledge you, our members and owners. Your loyalty and trust constantly reminds us of the collective strength and qualities which we have embraced over the 40 years of our journey. Let us continue to harness that collective strength inherent in the concept of mutuality. In so doing I am confident that member value will be best served.

**John Kouimanos**  
Chairperson



## Your Members Committee

The Members Committee is a group of elected members who meet monthly to review any issues referred to it by the Board of Directors. In doing so, they provide another link between the Board and the members.

During the year we take part in a range of Credit Union activities, including attending member functions throughout the year, aiming to be represented at each of the Mobile Offices.

We would like to take this opportunity to thank the enthusiastic and very committed staff and management of the credit union, especially Steve James, and to the Board for its continued support.

**Graeme Green**

Chairperson - Members Committee

## Loans

Purpose	Value funded 10/11	Value funded 09/10
1st home buyer	\$128,208,141.62	\$141,100,457
Other house and land purchase	\$307,364,868.46	\$273,143,769
Motor vehicles	\$78,066,377.60	\$67,983,547
Debt consolidation	\$188,330,850.33	\$91,941,706
Home improvements	\$23,363,434.70	\$19,367,118
Other	\$26,985,981.85	\$14,928,037
<b>Total</b>	<b>\$752,319,655.00</b>	<b>\$631,290,573</b>

## Redraw

Method of redraw	Value
Internet banking	\$150,046,934.28
rediPhone	\$15,470,074.26
Counter	\$8,026,873.62

## Teachers Credit Cards, Visa debit cards and rediCARDS

Cards issued	Number on issue	Credit limits
Teachers Credit Card	34,145	197,246,236
Visa debit card	109,860	137,655,994 <sup>3</sup>
rediCARDS	44,491	n/a
<b>Total</b>	<b>188,496</b>	<b>334,902,230</b>

## Member functions

Function	Number held	Members attending
Mobile offices	30	2,391
Business centres	27	445
Investment seminars	34	695
Retirement workshops	17	n/a

## Member contact volumes

	10/11	09/10
Contact centre - 13 12 21	427,117	449,284
Phone banking - 13 21 40	1,865,841	2,079,980
Insurance	14,746	19,450
Mobile banking	8,390	n/a
Loans centre	28,693	19,456
Enquiry emails - <a href="mailto:enquiry@teacherscreditunion.com.au">enquiry@teacherscreditunion.com.au</a>	50,086	41,805

## Online usage

	Number
Internet banking	116,452
Registered for online statements	45,137



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<sup>3</sup> rediCredit limits