

2012-2013

Annual Review

Chairperson's Report



John Kouimanos Chairperson

In a financial year characterised by uncertainty in both domestic and international economies our asset base grew strongly by 8.5% to \$4.1 billion. Our surplus for the year was \$28.1 million, up 22% from \$23.1 million in 2012. This is a reflection of the financial strength of our organisation and our continued commitment to mutuality. We continue to provide you, our members, with excellent loan and deposit interest rates throughout these challenging economic conditions. We are also pleased to report our capital reserves increased to \$341 million.

Last year we spoke about our regulator APRA (Australian Prudential Regulation Authority) implementing the new Basel III regime in Australia, ahead of most other world economies. Although the majority of these requirements are set for 2015, we have already seen some of their impact as the four major banks in Australia increase their local retail deposits, thus reducing their reliance on overseas wholesale funding. They have also refocused on the domestic home mortgage market to increase their market share.

The 2013 financial year saw us continue our

STRONG

financial position as one of the leading mutual banks in Australia. ✓

While the above is great news for consumers it will mean all financial institutions will be competing harder for business, especially in both the deposit and mortgage loan space. As one of the leading mutuals in Australia, with a strong brand identity and good member engagement, your directors and management are confident that Teachers Mutual Bank is well-placed to manage those challenges, retain our competitiveness and grow our mutual market share.

Again this year, while other institutions are struggling to attract borrowers, our home loan portfolio continued to grow well above industry levels at 10%. In 2014 we plan to continue our history of strong growth, prudent lending and strong loan quality.

It is now over twelve months since we became Teachers Mutual Bank and the commitment we made to continue to do what we've always done – put you, our members first – is still high amongst our achievements. We do this by continuing to improve member services and value, by offering easy and accessible financial services and by investing in our people, infrastructure and technology.

ONE AIM.... TO ALWAYS
PUT OUR MEMBERS FIRST



We aim to be everything our members want in a bank, each and every time. We are 100% committed and focused on providing a better financial future for our members and supporting the Australian education community.

In 2012 we received a 90% Member Satisfaction Rating in our Member Satisfaction Survey which was conducted by GALKAL¹. It shows an increase from the previous two years' Member Satisfaction Surveys and is a testament to how we put members first.

Recent reports released by Roy Morgan Research² also show mutuals have happier members and are leading the way in customer satisfaction, consistently achieving higher scores than other institutions. And that's no surprise to us. Our staff are committed to providing exceptional service, because it's part of who we are and what we do.

Balanced banking

It is our belief that in order to balance competition in the banking sector, there needs to be a level playing field that enables all Australians to have a real choice in their financial future. For us, that means teachers and the education sector. We are supporting the Customer Owned Banking Association Balanced Banking campaign and inquiry into financial services in Australia.

The Balanced Banking campaign seeks an independent review into Australia's banking system. Its goal is to promote more competition and create a level playing field for smaller financial institutions. Ultimately this will provide more choice for our mutual bank to build a sustainable financial future.

It's not just about the awards

Providing competitive products and outstanding member service will ensure that we continue to thrive in a highly competitive financial services sector.

We are consistently recognised with awards based on our products that deliver members great value. But it isn't just about the products we provide, it is about our members and what this enables them to achieve with their financial future that matters to us.

As one of the best value credit cards in the market we are proud to have won two *Money* magazine awards – Cheapest Credit Card (Bank) and Best Transactor Credit Card (Bank). Our Secured New Car Loan has also won *Money* magazine's 2013 Cheapest New Car Loan (Bank).



Every year *Money* magazine partners with the country's top research companies to identify the best products and services across more than 40 categories and we are pleased to have been awarded first place in three categories.

Making banking easier

We are committed to delivering innovative and cutting edge solutions and providing better experiences through our mobile and internet banking platforms. We are continuing to evolve in the mobile technology space and are putting members first by providing more access channels and a greater overall banking experience.

We believe that simple things can make a lot of difference to our members' lives. So, to make it easier for members to change their PIN, functionality was added to the rediATM network in January. This allows members to change their PIN at selected rediATMs that display the 'change PIN' option.

We also launched new and exciting functionality to our Mobile Banking, called Pay Anyone Mobile & Email. This allows members who are registered for Internet Banking to pay anyone simply by sending the money to the recipient's mobile phone or email address. This smartphone payment technology offers convenience and the ability for members to pay anyone, anywhere, anytime.

Helping the education sector

For many years, our visits to schools have helped us to build strong relationships and support the education sector. To make it easier for our members to access us, we've appointed each school on a regional basis with their own designated Business Relationship Manager. Given that teachers lead busy lives, our Business Relationship Managers will make it easier for teachers to speak to us face to face, which ultimately provides a better banking experience.

Each Business Relationship Manager has a wealth of experience in helping members in the education sector and will encourage active membership.

New membership

As a commitment to building our membership and ensuring that the teaching and education sector are supported, we introduced a 'New Teachers' program to assist studying teachers and those who have graduated from teaching studies within the last two years. This new program is tailored to their needs which offers low cost, easy banking and other options to help them. We hope this will go a long way to assisting the next generation of educators to become active members of their mutual bank.

SUSTAINABILITY

Through regular engagement with our members, we know that being sustainable is important. We are one hundred per cent committed to doing what's right. We believe success is not only measured in terms of profit and growth, but also by how we engage with and support our members, our communities, our employees, and how we minimise our impact on the environment.

Sustainability has always been integral to who we are and we exist for the mutual benefit of our members, teachers, and the education sector. We believe that profit has a purpose and that well-directed profits can not only have a real impact on our members but also deliver wider good to the community that teachers serve.

In the past 12 months, we've continued to improve our organisational performance and have been recognised both nationally and internationally as a leader in sustainability and social responsibility. This includes:



- Spending ten times the finance sector average on community investment with our total investment of 4.2% of pre-tax profits (source LBG⁴)
- Being awarded Gold (90%) status in the International Corporate Responsibility Index⁵ leaping from Bronze in 2012 (79%)
- Winning the 2012 Sustainability Award at Mutuals 2012⁶, the Abacus AM Institute Convention for the mutuals industry
- In June 2013 we won 'Best Bank in Socially Responsible Performance' category in the prestigious Asia-Pacific Banking and Finance Awards⁷.



These are fantastic results, particularly in our first year as a mutual bank and we are honoured to receive such high accolades for our efforts.

The education sector, partnerships and sponsorships

Our passion for education means we invest in a diverse range of activities for teachers and their communities. We collaborate with a wide range of education community partners and provide financial support through sponsorships, partnerships, grants, scholarships, donations and charities including:

- Support to over 100 teacher development conferences
- Schools Spectacular, NSW
- WA Education Awards
- NSW Premier's Teachers Scholarship
- The Public Education Foundation
- Launching '*Burbangana – Take hold of my hand and help me up*', a book which celebrates the success of Sydney Aboriginal education.

Stewart House fundraiser

From our December fundraising appeal, our members' donations are set to deliver an additional and incredible \$27,000 a year to Stewart House through regular pledges of \$5 and upwards. The official charity of teachers and the NSW Department of Education and Community, Stewart House is also a school and a respite home. It is visited by 1,800 public school students every year who have been personally recommended by their School Principal as being in need of a break from their daily life. We have been a major supporter of Stewart House for more than 40 years because we believe you, our members, value the incredible work they do with children.

Teachers Environment Fund

Our award winning Teachers Environment Fund (TEF) provides teachers with the opportunity to promote and implement environmental awareness and practices through learning experiences. Since launching in March 2008, we have provided \$312,000 of Teachers Environment Fund grants to over 100 schools.



Future Teacher Scholarship

With a passion for assisting education students pursue their dreams of becoming a teacher, our Future Teacher Scholarships provides \$5,000 each in financial assistance to university students studying to become teachers, to help them focus on their studies. Since 2009 we have distributed \$140,000 in Future Teacher Scholarships to 28 teachers across NSW, ACT, NT and WA.



"Studying full time to complete my Bachelor of Arts in Mathematics combined with a Diploma of Education is challenging and leaves me with little time to juggle my part time jobs. The extra assistance from the Future Teacher Scholarship will allow me to concentrate on my studies and help with everyday living expenses."
- Ryan Evans, Future Teacher Scholarship recipient

Myanmar Teachers' project

This CUFA partnership (a cooperatives based foundation) is designed to help break the poverty cycle in Myanmar, formerly known as Burma. Instead of just giving funds to teachers, the CUFA-developed program is set up as a sustainable model that ensures the whole community benefits and the capital is not eroded. The project, which is jointly supported by Teachers Mutual Bank, Victoria Teachers Mutual Bank and QT Mutual Bank, uses interest from community loans to pay teachers' salaries, and is both improving children's education, and helping local businesses flourish.

OUR PEOPLE

Mentoring and Coaching Program

In 2012 we introduced a mentoring and coaching program as part of our Talent Management Program. This was then extended to members of our Innovation and Leadership Committee. By formalising our mentoring and coaching initiatives, employees of Teachers Mutual Bank have been able to positively benefit by not only enjoying greater career prospects and personal development opportunities, but also through an expansion of their networks throughout the mutual industry.

Australian HR Awards Finalist

We were finalists once again at the 2012 Australian HR Awards, this time in the category of 'Best CSR Strategy'. This award celebrates Australia's most outstanding corporate social responsibility program from a 'people-perspective' and demonstrates that sustainability is an integral part of Teachers Mutual Bank's day-to-day operations and workplace culture.

Staff Engagement

Our staff retention rate, at over 92%, is one of the highest within the Banking, Insurance and Financial Services sector, placing us well ahead of the industry average, currently 76%. Our Staff Satisfaction and Engagement Scores⁹ are 88% which is up from last year's 86% and 85%. These scores reflect our strong reputation for genuinely caring for our staff which is demonstrated by providing them with flexible work practices, strong leadership programs, generous remuneration and attractive benefits.



Financial Services Executive of the Year

During the year Chief Sales & Marketing Officer, Theresa Mason (pictured above), was recognised as the 'Financial Services Executive of the Year' at the CEO Magazine Awards in 2012. Theresa, who has worked with us for over 25 years, was instrumental in leading the successful marketing campaign to rebrand from Teachers Credit Union to Teachers Mutual Bank and subsequently introduce the 'new face of banking' in Australia.

Financial Services Student of the Year

Our Traineeship Program is going from strength to strength with one of our Trainees, Ashley Foley, being recognised as the 'Student of the Year' by the Institute of Financial Services. Ashley received one of the highest marks in Australia for her completion of the Certificate IV in Banking Services as part of successfully completing the first year of her Financial Services Traineeship.



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.

During the year we take part in a range of TMB activities (which includes attending the meetings of the Development & Education and the Marketing & Member Relations Strategy Committees as well as member functions) and aim 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 Teachers Mutual Bank, especially Steve James, and the Board for its continued support.

Graeme Green
Chairperson – Members Committee



LOOKING FORWARD

A major strategic initiative of the Board and management over the coming years is to grow our membership. We have a strong commitment to this in the Board's Strategic Plan and already have campaigns running to attract new members. A major focus is to ensure we are well placed to attract the next generation of teacher members, namely those currently in universities pursuing education/teaching studies. In order to maximise our best efforts in this endeavour some organisational changes will be required and this will involve member support and approval.

THANKYOU TO EVERYONE

IT IS YOUR SUPPORT, TRUST AND LOYALTY
which contribute to
OUR FINANCIAL STRENGTH AND STABILITY.

There will also be further developments to help education students and new teachers as we build better relationships with universities by introducing specialised business development staff. This will allow us to better understand the unique needs of students and new teachers and help improve our own standing and relationship with these centres for future membership. We are also focused on supporting and growing our younger membership. This includes building the best financial solutions and social media communication options to educate and keep them engaged. This year we are starting work with a select group of home loan brokers. Research and banking experience clearly shows the advantages of using this channel to generate new mortgage loan growth. This will ensure more potential members know about us and have greater access to Teachers Mutual Bank products and services.

We will also be improving our product and service options for members. This includes our deposit products to help members save and earn more at every stage of their life.

Continuing our quest for innovative solutions through our mobile and internet banking platforms, we will be making internet banking enhancements, upgrading our mobile android and IOS apps, and redeveloping our website to help all members better manage their finances.

Many of our achievements over the past year would not have been possible without the dedication of the Board, the executive team and our staff.

We recognise our staff are an important asset and we are indeed fortunate to have developed a culture which embraces commitment, compassion, knowledge and training. My thanks goes to Steve James and the executive team whose strong leadership has not only strengthened our culture but will also allow us to continue our growth, financial strength and stability.

I would also like to thank the Board for their support and for the significant contribution they have made to this year's achievements. Each Board member has a commitment to guiding our mutual in the best financial interest of our members. This, along with their passion for mutuality and respect for our members, provides a culture that allows us to continue to grow and prosper.

My thanks also to the Members Committee whose enthusiasm and commitment is greatly appreciated. Their understanding and support of the decisions taken by the Board are also acknowledged.

And most importantly I would like to thank you, our members and owners, for your strong support, trust and loyalty which contribute to our financial strength and stability. This, in turn, allows us to support the teaching and education sector.

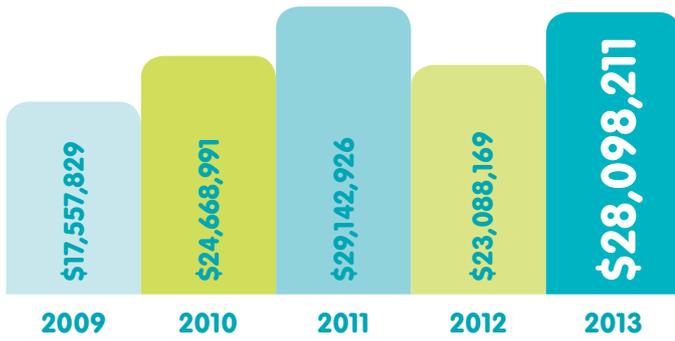
We trust that our endeavours will continue to honour the commitment we have made to put you, our members, first. The heritage of our past is one in which we can all be proud. Our first full year as Teachers Mutual Bank has opened a new and exciting chapter in our journey, which will in the fullness of time, leave its own proud legacy of service to members.



John Kouimanos
Chairperson

Profit

5 year progress



Assets

5 year progress



Home loans growth

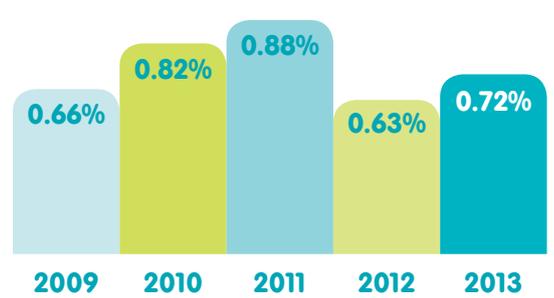
5 year progress



Home loans growth is expressed as growth in balances over the financial year. Home loans is the money owed to us by our members.

Return on Assets

5 year progress



Return on assets measures how profitable a company is relative to its total average assets and shows how efficiently a company uses its assets.

In 2013 Financial Year



157,765 members



125,802 registered internet banking users



\$49,908,061 in member car loans



We made 1,712 school visits to meet some of our 3,731 school contacts



44,053 member insurance policies



34,686 mobile banking users



38,518 Member Credit Cards
150,187 Member Visa debit cards



\$140,000 awarded to 28 Future Teacher Scholarship recipients since 2009

1. GALKAL (Galileo Kaleidoscope) is an independent Australian strategy and research company with over 15 years experience. 2. Roy Morgan Research has over 70 years' experience in collecting objective, independent information on consumers. Their customer satisfaction ratings are collected from Roy Morgan's Single Source survey of approximately 50,000 Australians annually and Business Single Source survey of 22,000 business decision makers annually - the world's largest ongoing single source survey. 3. Money, Australia's leading personal finance magazine works with leading independent financial research group Canstar, to judge the awards. 4. LBG is the internationally recognised standard for measuring and evaluating a corporation's community investment. 5. Business in the Community's CR Index is one of the world's leading voluntary benchmarks of corporate responsibility. For over a decade the CR Index has inspired and challenged over 360 companies to continuously improve their impact on society and the environment. www.bitc.org.uk 6. These are the prestigious industry awards. Abacus is the industry body for the Australian mutual financial services sector, a strong alliance of 120 mutual building societies, credit unions, mutual banks and friendly societies with combined assets of \$85 billion. 7. Awarded by Asia-Pacific Banking & Finance Magazine, this award recognises companies who demonstrate environmental protection, respect for human rights, the continuing improvement of working employment and relations conditions, social commitment, responsibility attitudes with suppliers and customers and transparency and effectiveness of corporate governance. 8. Staff engagement and satisfaction scores were taken from Teachers Mutual Banks annual staff survey results, which were conducted externally by Quantum Management Consultants.