



As featured in
The CEO Magazine
For more info visit
theceomagazine.com.au

The Banking Benchmark

Teachers Mutual Bank is setting the standard for sustainable business and better banking in Australia, with the institution recently recognised as one of the world's most ethical companies.

Images by Scott Ehler

Teachers Mutual Bank was one of only three Australian banks, and one of only five financial institutions globally, to be named among the world's most ethical companies for 2014 by the Ethisphere Institute in the USA. Steve James, CEO of Teachers Mutual Bank, says this prestigious honour is just one of many the mutual bank has received in recent years.

"In recent years, we've become internationally recognised for our CSR activities. Our corporate social responsibility is led by our board of directors, and I would say Teachers Mutual Bank is one of the best in Australia in this area.

"In 2014, we were recognised for the second consecutive year by the

London Benchmarking Group as a global leader in community investment. Our level of community investment is about 12 times the financial services sector's average, so we're certainly 'giving back' in that area. We have a great pedigree in this space and we're very proud of it.

"In March this year we achieved a score of 91 per cent in the global Corporate Responsibility Index, with the average score at around 85 per cent. Our significantly higher score was achieved thanks to the strong human resources, workplace, and employee development approach that we take here. Staff engagement is one of our key strengths. We have record rates of around 88-per-cent staff engagement, and that leads to high staff satisfaction.

"We've always had a strong commitment to equal opportunity for women in the workplace. We've achieved the Employer of Choice for Women citation from the Australian Workplace Gender Equality Agency for the past six years in a row."

In addition to its community involvement, Teachers Mutual Bank has a stellar sustainability record. Not only has it been carbon neutral since July 2012, the bank supports carbon-reduction projects in China and India, and from 2011 to 2013 has reduced its electricity emissions by 30 per cent. These initiatives, among many others, drive the solid company culture and values that underpin this leading institution. Steve believes that it's these principles that have formed the foundations of the bank's success. >



1 successful partnership



At Allianz we partner with leading financial institutions to offer a broad range of general and life insurance solutions. We support our partners with end-to-end sales programs that optimise insurance revenue and achieve long-term, sustainable growth.

Allianz – A Proud Partner of Teachers Mutual Bank for the past 26 years.

Talk to one of our Sales Managers today.

Michael Winter		(03) 9224 4088
General Manager, Financial Institutions		
NSW	Damian Hicks	(02) 8258 6223
QLD	Suzanne Smith	(07) 3023 7898
VIC	Kerrie Allen	(03) 9224 3277
SA/WA	Mike Gambell	(08) 7420 8839



Large General Insurance Company of the Year 2013
 Australian Insurance Industry Awards.
 General Insurance Company of the Year 2012
 Australian Banking and Finance Insurance Awards.
 Allianz Australia Insurance Limited ABN 15 000 122 850. MKT 059 06/14



“Teachers Mutual Bank has really been growth-orientated as an institution. When you think about the fact that it started in 1966 and had 29 members and \$700 in the bank after the first 12 months of operation, and has now grown to an organisation of 162,000 teachers with \$4.3 billion in assets, it really shows that teachers and their families have called this institution their own.

“We’ve also made pretty solid profits during that period and they’ve always been reinvested into benefits for our members, whether it’s in increased savings rates or lower loan rates. I see us as an organisation with very strong core values and a strong culture of member service. We were the leading financial institution in January and February of this year for customer service with the highest rate in Australia.

“A lot of our success is attributable to our fantastic staff. There are 440 of them and they’re all pretty much aligned with the business. They’re led by an executive team who live and breathe doing the right thing for our members. It’s a very passionate group. Our tagline is, ‘We put you first’, and for all the time that I’ve been here that’s been true. We’ve always put the member first.”

Steve joined Teachers Mutual Bank, or Teachers Credit Union as it was known in those days, in 1979 and just celebrated his 35th anniversary with the bank. Steve says, “I came in as an assistant accountant and at that stage it was a much smaller organisation with \$20 million in assets and around 20 employees. Today, it ranks as one of the largest mutual banks in the nation with 440 employees and \$4.3 billion in assets.

“I completed an MBA at the University of Western Sydney in 2005. I’ve been a member of The

“We believe that mutual understanding and collaboration are the fundamentals of a successful partnership. Together, with our commitment to provide our financial institution partners with our best products, service and support, we work to help them achieve their goal of protecting their members’ assets and financial commitments.” - Damian Hicks, State Manager—NSW, Financial Institutions, Allianz



“It’s a very passionate group. Our tagline is, ‘We put you first’, and for all the time that I’ve been here that’s been true. We’ve always put the member first.”

- Steve James

CEO Institute since 2008 and I’ve been the CEO at Teachers Mutual Bank since July 2005, so nine years now.

“It’s gone really quickly and I’ve enjoyed every day of it. To celebrate my 35th anniversary, my executive team held a lunch for me, and most of those executives have been here for 20 years or more, so we’re more like family than colleagues. It’s unusual these days to stay in a job for that long, but generally when people join our organisation they love the way we work and they tend to stay.”

For Steve and his team, the challenges and successes of Teachers Mutual Bank is what gets them out of bed in the morning. “Over the past three decades, there have certainly been some major challenges,” says Steve. “One of the biggest was the Global Financial Crisis. Interest rates fell very quickly, profitability dropped drastically, and we had to introduce, for the first time, some fees to our transaction accounts, not only to boost profitability but to ensure the long-term viability of the organisation. That was from an institution that had basically been fee-free since the 1960s so it was a very interesting time for both the membership and us.

“Another significant challenge was transitioning to become a mutual bank, after 46 years as a credit

union. We executed a strong communication campaign, which included holding roadshows all over New South Wales to explain in person to members why we were taking this course of action. When the vote came in in November 2011, it was close to 91 per cent in favour of the change. That was very rewarding as it demonstrated that we had properly engaged with our members, and demonstrated the benefits of moving from a credit union to a mutual bank.”

According to Steve, these benefits are significant. “Probably the primary benefit is being able to access funds in the wholesale market. As a credit union we had had a triple-B-plus credit rating, and we have retained that since becoming a mutual bank. Becoming a bank also helped us attract wholesale deposits from companies whose investment rules prevent them from investing with a credit union (despite the fact that most credit unions are authorised deposit-taking institutions).

“Another aspect of wholesale funding is the ability to offer our NCDs [non-callable deposits] on the market, and we now have more than \$300 million worth of NCDs. That gives us a lower cost of funding, which allows us to transfer that pricing back to mortgages and keep those interest rates low for members. >



“While we can’t prevent a property bubble, we can certainly help young buyers get on the first rung of the property ladder and navigate their way to lasting property ownership.”

- Steve James

“With ‘bank’ in our name, it also communicates more clearly what we are. We found quite low awareness among the younger demographic about what a credit union is or that we offer more than just savings accounts and personal loans—in fact, we offer the full suite of banking services. By changing our name to Teachers Mutual Bank we are better able to promote the mutual benefits of banking with us, and ensure existing and future members consider us for all of their banking needs.

“As a financial institution we’ve seen unprecedented growth since 2005, as we build the business. In the past nine years there has been almost 300-per-cent growth, from \$1.5 billion in assets to more than \$4 billion. We’ve also seen a major jump in membership during that time. That in itself is very satisfying for my team and I, but even more so given that we’ve achieved it while retaining more than 90-per-cent customer satisfaction in the

last couple of years, as measured by Roy Morgan polling.”

The bank has seen a number of changes over the years as it’s shifted with technology and cultural trends to meet members’ needs. “Credit unions first introduced ATMs into Australia so I was at the beginning of that. Teachers Credit Union played a major role in organising those first meetings to set up ATMs in Australia. The mutual banking movement led the reintroduction of Visa into Australia in the early 80s.

“We’ve been early adopters of most technological developments in banking: internet banking, mobile banking applications, and online loan applications. We’ve launched a new offset loans facility which is linked to all of our home-loan products, both fixed and variable rate. It’s very rare to find an institution that offers an offset facility available across all its home-loan products, so we’re

proud of that. A lot of people are currently taking up fixed rates as they think rates are at the bottom of the cycle. Our three-year fixed rate is probably one of the lowest in the market at the moment.

“Teachers Mutual Bank also entered the third-party channel for the first time this year. We’ve had very strong success in this area with the number of brokers seeking accreditation with us far exceeding our projections. They’re all keen to take our home loans to the broad teacher market, and are doing so very successfully.

This is increasingly important as metropolitan areas see record-breaking property prices. Steve says his team are focused on facilitating home ownership. “Being a responsible lender has always been one of our key values. When we make loans to our members, we always ensure there’s a substantial buffer in place so that if interest rates do rise—and they will eventually—

it doesn’t put our borrowers under undue stress.”

“We have always seen ourselves as the ‘home’ of the first-home buyer. We developed a competitive first-home-loan product to assist people to buy that all-important first home. It has a term of 40 years, which keeps the loan repayments down in the early years, but we don’t expect people to be in that loan product for 40 years. Instead, they transition to a 25-year product once they get established after a couple of years. The data tells us most people are changing properties every five years.

“Until recently, we were one of the few institutions that offered the First Home Savers Account. Sadly, that was abolished in the 2014 Federal Budget. That was pretty unfortunate, as that particular account helped more than 4,000 of our younger members to save for their own home. We’re sorry to see it go but we will now be working to explore different initiatives that can help those members, and future aspiring first-home buyers.

“There’s been a lot of talk of first-home buyers being shut out of the current property market. While we can’t prevent a property bubble, we can certainly help young buyers get on the first rung of the property ladder and navigate their way to lasting property ownership through a combination of targeted loan products, responsible lending, and a strong service culture.”

This dedication to its members will continue to be a key differentiator for Teachers Mutual Bank as the industry evolves in coming years. “We believe teachers do one of the most important jobs in the world. They are key workers in the community, and we think that there should be policy initiatives to allow concessions, grants, or incentives for them and other key workers (such as police, fire brigade, and nurses) to live in the communities in which they serve, if they choose to do so. We’ll be pursuing this issue as we go forward.”

thecomagazine.com.au



As to the future of the mutual banking sector, Steve predicts, “We’ll probably see more collaboration and more consolidation within the mutual banking industry. Of course, our shared aim is for the sector to grow in asset size and take some more market share off the major banks. Both individually and as a sector we’re very competitive, and we need to be a greater force in banking, because we provide a real alternative for consumers.”

As Teachers Mutual Bank looks to the future, Steve and his team will continue to uphold and nurture the best practices that have seen the mutual bank garner global recognition. •



success



Together we’re a successful partnership

Zurich and Teachers Mutual Bank have had a successful partnership for over 35 years

Zurich’s commitment is to deliver, with excellence and integrity, a competitive range of direct life insurance products to our partners. Zurich is a strong, stable and globally profitable organisation committed to its partners

To partner with a company who truly believes in supporting their partners and always strives for further success, call [Annette Bran](mailto:Annette.Bran@zurich.com.au), National Relationship Manager Direct Insurance on 1800 025 015


