



Mr Simon Daley

Solicitor Assisting the Royal Commission

FSRCSolicitor@royalcommission.gov.au

Re: Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Dear Mr Daley

I refer to your letter dated 8 January 2018 and our responses follow.

Summary

Teachers Mutual Bank Limited (TMBL) is a values-based organisation. We are committed to the principles of, and practicing, good corporate governance supported by an effective and transparent corporate governance framework. We have a strong culture which embeds governance, risk awareness and the practice of our three core values (advocacy, passion and sustainability) into everything we do. Teachers Mutual Bank Limited is held in high regard within both the mutual banking sector and the education services sector in which we operate.

Being a mutual bank, TMBL is subject to the same regulation as all other banks in Australia but our core purpose is very different to that of non-mutual banks. Fundamentally we exist for our members and not to maximise returns to shareholders. That major driver for misconduct in other financial institutions, maximising profit, does not exist at TMBL. Our culture is focused on member outcomes. This is the tone from the top set by our Board, demonstrated by executive management, underpinned by staff training, orientation and induction programs, tested in staff surveys including questions on risk and culture and reinforced by ongoing education.

We do not engage directly in some of the financial service activities that other financial institutions have attracted criticism for in recent times. Specifically we do not offer financial advice directly, do not offer insurance products directly and do not offer superannuation products.

Remuneration of executive and staff is based on minimal bonus and incentive practices. There have been no bonuses available as part of remuneration packages for Executive, management and senior staff since 2014.

Question 1.

Excluding cases of theft from the entity itself, or from an associated entity, has the entity identified any misconduct by the entity (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008? If so, what is the nature, extent and effect of that misconduct?

Response

To the best of our knowledge Teachers Mutual Bank Limited has not identified any misconduct by Teachers Mutual Bank Limited (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008?

Question 2.

Has the entity identified any conduct, practice, behaviour or activity it has engaged in (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) since 1 January 2008, which it considers has fallen below community standards and expectations? If so, what is the nature, extent and effect of that conduct, practice, behaviour or activity?

Response

To the best of our knowledge there has been no conduct, practice, behaviour or activity that Teachers Mutual Bank Limited (including by its directors, officers or employees, or by anyone otherwise acting on its behalf) has engaged in since 1 January 2008, which we consider has fallen below community standards and expectations.

One breach was reported to ASIC in April 2012 with regards to credit card interest calculations. ASIC subsequently issued a no-action letter in June 2012.

Full breach & complaint registers are available upon request. These show there are no systemic issues, that we have a culture that encourages reporting of incidents and that actions are taken to remedy any issues and to prevent further occurrences as they are identified.

Support for Statements

The following pages provide evidence to support the statements made in this response.


Further Information

Further information may be obtained from:

Brad Hedgman, Deputy CEO [REDACTED]

Steve James, CEO [REDACTED]

Yours Sincerely



Steve James

Chief Executive Officer

Supporting Materials #1

External Disputes Lodged with the Financial Ombudsman Service

The following table details external disputes lodged with the Financial Ombudsman Service since 2009. This table illustrates the low level of disputes and our commitment to member/customer service. Due to the low number of disputes TMBL does not usually appear in the FOS Comparative tables.

FOS Category	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Charges	3				1				4	8
Disclosure	3	1		2			1		3	10
Financial Hardship			7	9	5	1	2	5	3	32
Service	3	2	1	3		2		1	4	17
Transactions	11	5	12		7	3	8		3	49
FSP Decision	1			2	2		1		1	7
Privacy & Confidentiality							1			1
Total	21	8	20	16	15	6	13	6	18	124

Supporting Materials #2

World's Most Ethical Companies

Teachers Mutual Bank Ltd has been named as a 'World's Most Ethical Company' by the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices.

This responds directly to the commissions questions regarding misconduct and falling below community standards and expectations is the fact that Teachers Mutual Bank has been named as one of the world's most ethical companies for five consecutive years.

- In 2014 we were 1 of only 5 banks listed and 1 of only 3 Australian companies
- In 2015 we were 1 of only 5 banks listed and 1 of only 2 Australian companies
- In 2016 we were 1 of only 4 banks listed and 1 of only 2 Australian companies
- In 2017 we were 1 of only 3 banks listed and the only Australian companies
- In 2018 we were 1 of only 4 banks listed and the only Australian companies

The Ethisphere Institute is the global leader in defining and advancing the standards of ethical business practice. The World's Most Ethical Company assessment is based upon the Ethisphere Institute's Ethics Quotient (EQ) framework and honours superior achievements in transparency, integrity, ethics and compliance. Scores are generated in five key categories: ethics and compliance program (35%), corporate citizenship and responsibility (20%), culture of ethics (20%), governance (15%) and leadership, innovation and reputation (10%).

Further information can be found at <https://ethisphere.com/>

Supporting Materials #3

Customer Owned Banking Code of Practice

Over 4.5 million Australians are members of mutual banks, credit unions and building societies. TMBL has worked closely with the Customer Owned Banking Association (COBA), to develop the Customer Owned Banking Code of Practice.

The Code is an important public statement of the value we place on improving the financial wellbeing of our members and the education community. It reinforces our commitment to the benefits of mutuality, community involvement, fairer fees and customer/ member service.

Our 10 key promises to our members/customers under the code are:

1. We will be fair and ethical in our dealings with you
2. We will focus on our members
3. We will give you clear information about our products and services
4. We will be responsible lenders
5. We will deliver high customer service and standards
6. We will deal fairly with any complaints
7. We will recognise member rights as owners
8. We will comply with our legal and industry obligations
9. We will recognise our impact on the wider community
10. We will support and promote this Code of Practice.

Our adherence to this code demonstrates that we are committed to ensuring our conduct, practice, behaviour and business practice meets and exceeds community standards and expectations.

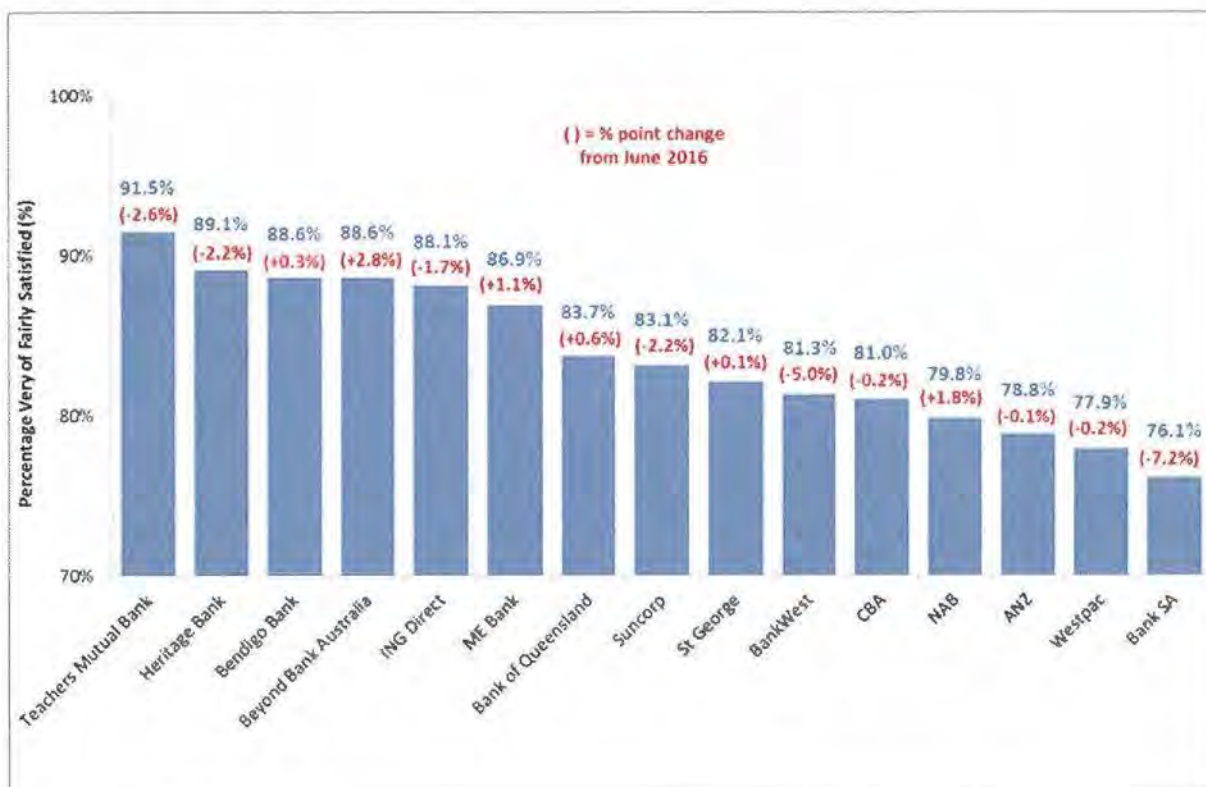
Supporting Materials #4

Customer Satisfaction

Another strong indicator that TMBL are focussed on customer service rather than a maximising profit is customer satisfaction. TMBL have regularly appeared in Roy Morgan's top 5 banks for customer satisfaction since converting to a mutual bank in 2012. The following two graphs from the independent Roy Morgan research shows we topped both customer satisfaction and net promoter score for the year ended 30 June 2017.

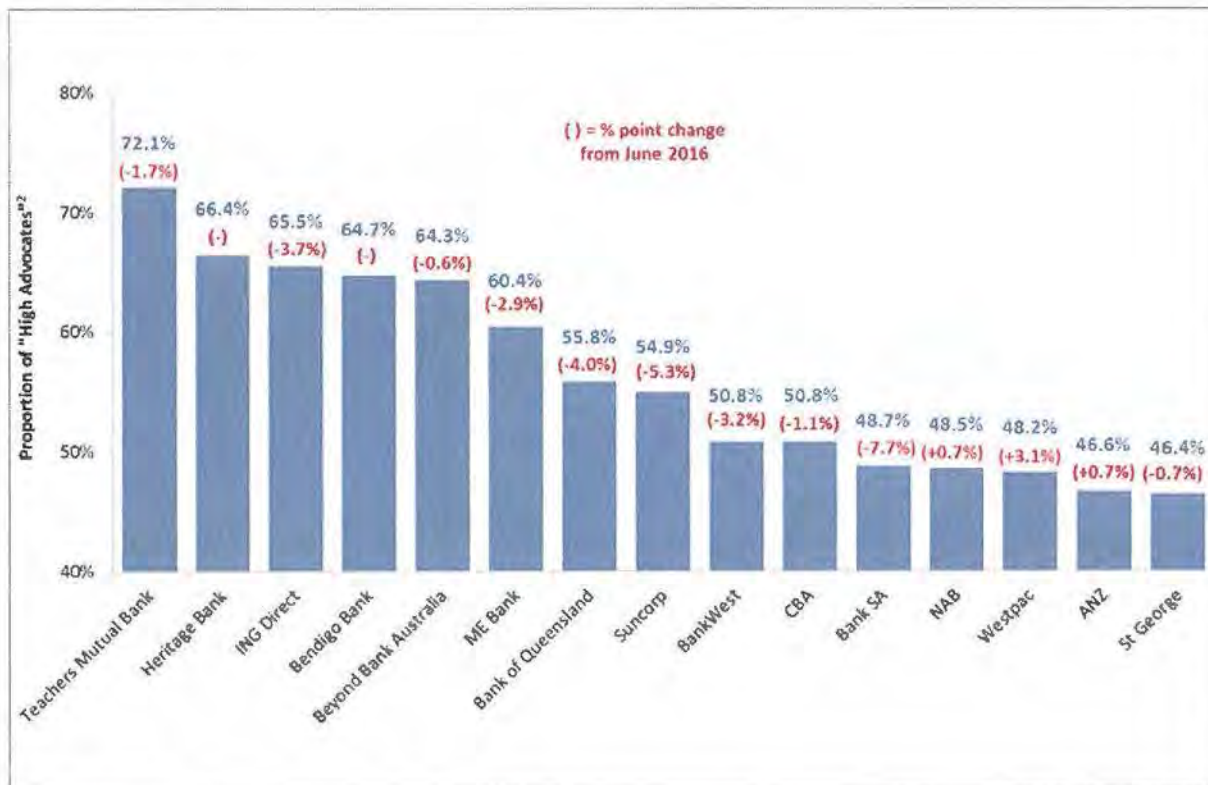
The first indicator is Consumer Banking Satisfaction - 15 Largest Consumer Banks

Among the fifteen largest consumer banks, Teachers Mutual Bank has the highest satisfaction with 91.5%



Source: Roy Morgan Single Source (Australia) 6 months to June 2017

The second indicator is Consumer "Highly Likely" to Recommend Their Bank - 15 Largest Consumer Banks



"Nearly three quarters (72.1%) of Teachers Mutual Bank customers indicate that they would be 'highly likely' (with a score of 8 to 10 on a ten point scale) to recommend them to friends or colleagues. They are the clear market leader for advocacy, well above second placed Heritage Bank on 66.4%".

Source: Roy Morgan Single Source (Australia) 6 months to June 2017