

Governance.

Customer accountability and participation.

Competent well-qualified leadership

The majority of the Board of Directors were elected by customers on a rotating basis for a three-year term. Five non-executive Directors are customer-owner elected and independent. Three are appointed by the Board of which two are independent. There is one executive Director – the Managing Director. The Chair of the Board of Directors is independent and not an executive officer.

The Board has adopted a formal renewal program to ensure there is at all times an appropriate level of expertise on the Board as well as diversity, commercial experience, and fresh perspective. The renewal program recognises the importance of ensuring the history, values and culture of the organisation are preserved and built upon.

The collective remuneration for the Board (as approved by customers at the 2012 AGM) is \$523,000 per annum pro rata. This sum represents total Board remuneration for all seven non-executive Directors including fees, concessions and other benefits as well as all relevant taxes payable by the Bank and Directors.



Did you know we are regulated by the Government in the same way as all financial institutions.



Did you know 3,159 customers responded to our 2013 Customer Insights Survey.

Board of Directors at 30 June 2013



Left to right:

Judith Downes, Melissa Bastian (joined 28/11/2012), Greg Camm, Damien Walsh (Managing Director), John Baistow (Chair), Helen Clarke (Deputy Chair), Peter Ford, Peter Taylor

Productive democracy

As a mutually owned financial services organisation, **bankmecu** operates for the benefit of its customers under the ultimate governance of its customers who own the bank. Customer views were heard during the AGM process, through customer research and feedback processes.

Stewardship of customer wealth

bankmecu recognises risk awareness and risk management as a vital part of doing business and creating customer value. The Bank does not expect to eliminate all risks, but to minimise and manage exposure based on an effective risk and reward analysis.

Risk management assessments and reviews are conducted annually and as required. Internally, each Department identifies and rates its own risks and determines the appropriate actions to be taken to mitigate them. The Board also undertakes an annual risk assessment process separately. **bankmecu** maintains a risk register for recording and monitoring risk.

The top 10 risks identified in 2012/13:

- technology risk
- contagion from underperformance or problems in the finance sector
- credit risk
- strategic risk and failure to take advantage of opportunities
- competition from banks and margin squeeze
- lack of business diversity
- global economic risk
- not making full use of our existing relationships
- lender's mortgage insurer failure
- major fraud.

Regulatory compliance

bankmecu is regulated by APRA as an Authorised Deposit-Taking Institution (ADI) under the prudential standards demanded of all banks, credit unions, building societies and friendly societies. Other principal regulators are the Australian Securities and Investments Commission (ASIC), the Australian Competition and Consumer Commission (ACCC) and the Australian Taxation Office (ATO).

The Staff Charter sets out guidelines to help staff understand what is required of them in order to earn the trust and respect of stakeholders and to ensure the Bank fulfils its vision.

bankmecu has had no incidence of non-compliance with any law or regulatory code of conduct where the complaint was upheld, required reporting to ASIC or other authorities, resulted in court action or receiving a fine.

Card fraud significantly decreased by 45.94% (\$210,406) in 2012/13 as a result of sustained efforts from VISA, merchants, and law enforcement agencies. **bankmecu's** move to 24/7 card fraud monitoring with Cuscal, chip card technology and the extensive use of PINs have also reduced counterfeit fraud.

Fraud via telephone and the Internet were again the most common forms of card fraud and accounted for the highest losses.

During 2012/13 we suffered a Phishing attack resulting in customers and non-customers receiving an email purporting to be from **bankmecu**. This email requested customers to input personal details such as card details, passcodes and mobile numbers, etc. As a result we suffered a total loss of \$136,188 from 38 reported cases.

Lending fraud attempts also increased during 2012/13 to a total of 33 cases (\$3,229,673). These fraud attempts ranged from falsified supporting documentation, undisclosed liabilities, false identification and identification takeovers.

Organisation and management structure

