

Governance – Customer accountability and participation

Competent, well-qualified leadership

The majority of **bankmecu's** Board of Directors are elected by customers on a rotating basis for a three-year term. Five independent non-executive Directors were appointed by the members through election and two have been appointed by the Board. The Managing Director is also a Board appointment. The Chair is a non-executive independent Director.

As at 30 June 2012, Directors are:

- John Baistow (Chair)
- Greg Camm (appointed February 2012)
- Helen Clarke (Deputy Chair)
- Ron Dixon (Chair Finance and Risk Committee)
- Judith Downes (appointed March 2012)
- Peter Ford
- Peter Taylor (Chair Audit and Compliance Committee)
- Damien Walsh (Managing Director – appointed September 2011)

bankmecu's 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 total remuneration for the Board (as approved by customers at the 2011 AGM) is \$491,270 per annum pro rata. This sum represents the total Board remuneration including fees, concessions and other benefits as well as all relevant taxes payable by the bank and Directors. The Directors determine how the remuneration is apportioned, and how and when it is paid.

Productive democracy

As a mutually owned financial services organisation, **bankmecu** operates for the benefit of its customers under the ultimate governance of its customer-owners. Stakeholder views (some of whom may not have a financial relationship with the bank) were heard during its AGM process, **bankmecu** strategic planning sessions, and customer research. Input was balanced to ensure long-term value creation for customers.

Risk management and compliance

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. It considers the management of sustainability as a risk issue as well as an opportunity.

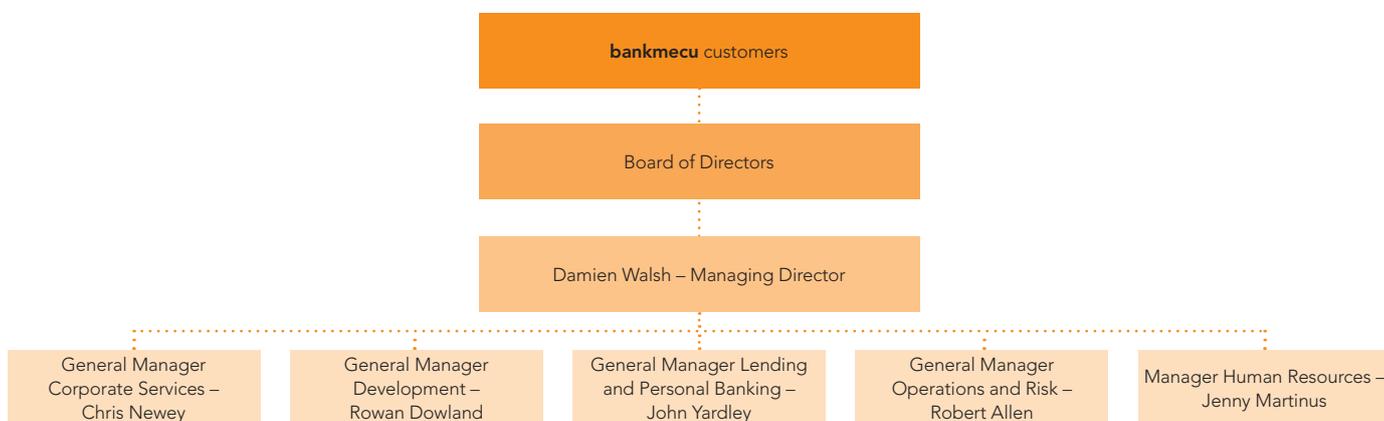


Left to right:

Peter Taylor, Greg Camm, Helen Clarke, Ron Dixon, Damien Walsh, John Baistow, Judith Downes, Peter Ford

'The **bankmecu** Board is strongly committed to renewal and ensuring that Directors have the diversity of skills and experience necessary to govern a modern bank.'

Organisational and management structure



bankmecu recognises that effective risk management and robust compliance can only occur if sound compliance and risk management practice is embedded in responsibilities and performance across the organisation. Risk management assessments and assessment 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.

bankmecu is regulated by APRA as an Approved 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).

Australia's regulatory environment for banks remains one of the strongest in the world. APRA has signalled that it intends to bring in further changes as part of the BASEL III global regulatory framework including new standards for bank capital adequacy, stress testing and market liquidity risk. **bankmecu** is well positioned to meet all such requirements.

The **bankmecu** Staff Charter sets out guidelines to help staff understand what is required of them in order to earn the trust and respect of **bankmecu's** 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 or resulted in court action. Nor did it receive any fines or sanctions for non-compliance with any laws and regulations relating to its business of banking.

External card fraud continues to be the main source of corrupt practice that has impacted on the Bank's activities. Fraud via telephone and Internet were again the most common form of card fraud during 2011/12, while counterfeit cards accounted for the highest losses. Over the past three years the number of card data compromises in Australia has increased almost tenfold.

During the second half of 2011/12 **bankmecu** launched a 24 hours / 7 days per week card Fraud Bureau Service. This service has increased customer card protection and reduced card fraud losses.