

10/26/2025



CASE STUDY

BANK AUSTRALIA – AUSTRALIA’S FIRST MUTUAL BANK



Photo source: Bank Australia (2024).

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Case Study Research Report | CERU



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CEMI-CERU Case Study Research Report

ISSN 2653-7036

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Mazzarol, T. (2025) *Bank Australia – Australia's first mutual bank*, CEMI-CERU Case Study Research Report, CSR 2507, www.cemi.com.au Centre for Entrepreneurial Management and Innovation, www.ceru.au Co-operative Enterprise Research Unit.

NOTE:

This paper has been prepared in conjunction with the UWA Co-operative Enterprise Research Unit (CERU) www.ceru.au for the Business Council of Co-operatives and Mutuals (BCCM) <http://bccm.coop> who have provided the funding for this work.

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INTRODUCTION

The Australian financial services sector encompasses a wide range of businesses including foreign and domestic banks, credit unions, building societies and customer owned banks. It does not include firms engaged in health insurance and superannuation. Amongst these businesses is Bank Australia Ltd.



BANK AUSTRALIA, THE NATION'S FIRST MUTUAL BANK

Although not the largest financial services CME, Bank Australia (formerly bank mecu) is potentially one of the most committed institutions when it comes to customer owned banking and the benefits of a mutual business model. Headquartered in the Melbourne suburb of Kew, Victoria, Bank Australia traces its origins to the creation of the CSIRO Co-operative Credit Society Ltd in 1957. In 2000 the company changed its name to Members Australia Credit Union Ltd, and in 2003 the name changed again to the Members and Education Credit Union Ltd as a result of a merger with the Education Credit Union. This led to the adoption of the name mecu Ltd the following year (IBISWorld, 2016).

The company became the first mutual bank in Australia in 2011 when it secured a banking licence from APRA and the Reserve Bank of Australia (RBA). In 2013 it had acquired the Fitzroy & Carlton Community Credit Co-operative Ltd (FCCC), which involved a voluntary transfer of the business with Bank Australia not being required to pay for the transfer (IBISWorld, 2016). The change of name from bankmecu to Bank Australia took place in 2015. In the same year the company formed a partnership with the Australian Finance Group Ltd. (AFG), enabling it to provide home loans via mortgage brokers. In 2016 the Bank Australia name was fully adopted, and in 2017 it merged with Intech Credit Union, establishing Intech Bank as a wholly owned subsidiary (IBISWorld, 2025).

In 2016 Bank Australia had 125,327 members, around 370 employees, and branches in Victoria and NSW. Its annual turnover for FY2014/15 was \$162.6 million with total assets of \$3.6 billion. However, in 2016 it had reached over \$4 billion in total assets and a net profit of \$22.6 million. Its services include the full range of banking transactions (e.g. savings, investments, credit cards, personal, home, care and investment loans, term deposits). It also offers superannuation, health insurance, general insurance, financial planning and foreign exchange dealing. Bank Australia is governed by a board of eight directors. The Chairperson at that time was Judith Downes and the CEO was Damien Walsh (Mazzarol et al., 2016).

By FY2023/24 Bank Australia had 192,251 members and 613 employees. Its customers were located across all states and territories, although the largest concentration was in Victoria (58%) followed by NSW (17%). It also had an annual turnover of \$625.5 million, total assets of \$11.74 billion, and a net profit after tax (NPAT) of \$26.8 million. This profit result was significantly lower than the \$52.3 million generated in FY2022/23 and was explained in the company's annual report as follows,

“The reduction in profit was driven by downward pressure on net interest margin as a result of strong competition for deposits across the banking sector, an increase in our wholesale borrowing requirements and the repayment of the Term Funding Facility received from the Reserve Bank of Australia in 2020 and 2021. Our cost base also increased, in particular technology licensing costs in line with our digital investment strategy and employee expenses” (Bank Australia, 2024, p. 4).

During 2023 Judith Downes retired after having served 11 years as a Director and 9 years as the Chairperson. She was an ardent advocate of the co-operative and mutual enterprise (CME) business model and providing effective leadership through a period of significant change and growth. In November 2023 she was replaced by Steve Ferguson, who had become a company director in 2021. Damien Walsh continued as CEO in 2025 (Bank Australia, 2024).

Bank Australia operates in a highly competitive market environment and like many financial services mutuals aims to grow through mergers with other mutual banks and credit unions. For example, in 2024 the company was actively engaged in seeking regulatory and member approval of a merger with Qudos Bank (formerly the QANTAS Credit Union) and completing a merger with the Lithuanian Co-operative Credit Society Ltd. (Talka Ltd.), which brought an additional 681 members into the bank (Bank Australia, 2024). The motivation for such mergers was explained as follows,

“The current market environment is becoming increasingly difficult for smaller credit unions and mutual banks to operate, and regulatory compliance obligations are increasing in complexity” (Bank Australia, 2024, p. 28).

THE AUSTRALIAN FINANCIAL SERVICES SECTOR

The financial services sector in Australia includes domestic and international banks, non-depository financiers and financial asset investors. Complementing this industry are the financial services CMEs encompassing credit unions, building societies, customer owned banks and some of the friendly societies. The sector comprises a total of 63,419 businesses, employs around 236,000 people, and in 2025 reported a total turnover of \$524.6 billion. The average profit margin across the sector is around 29.5%, with total profit of \$154.8 billion. The sector is dominated by four major banks, the Commonwealth Bank of Australia (CBA), the National Australia Bank (NAB), Westpac Bank, and the Australia and New Zealand Bank (ANZ), which collectively control around 38% of the national market (Tan, 2025).

As noted, the credit unions and building societies comprise a complementary sector consisting of 33 business with a combined annual turnover in 2024 of \$1.6 billion and a workforce of around 3,598 people (Tan, 2024). In terms of profitability the average profit margin over past five years was 8.9%, which is significantly smaller than for the general financial services sector, but much

lower than the Annual Average Growth Rate (AAGR) for the Top 100 financial services CMEs. The dominant firms by revenue and market share in 2024 were Great Southern Bank, Credit Union SA Ltd., Community First Credit Union, and the NGM Group (Tan, 2024). However, the total size of the financial services CMEs is much larger than just the credit unions and building societies.

Table 1: Top 10 Australian Financial Services Mutual Enterprises

Business	Turnover FY2023/24	Assets FY2023/24	Membership FY2024 ²
Australian Unity Ltd.	\$2,172,982,000	\$9,958,180,000	400,000
Heritage and People's Choice Ltd.	\$1,320,600,000	\$24,474,900,000	751,434
NGM Group Ltd.	\$1,099,306,000	\$21,243,886,000	633,957
Credit Union Australia Ltd. (CUA)	\$996,900,000	\$20,029,800,000	414,581
Avant Mutual Group Ltd.	\$774,900,000	\$2,434,000,000	90,000
Bank Australia Ltd.	\$625,500,000	\$11,735,000,000	192,261
EML (Employers Mutual Ltd)	\$586,744,000	\$612,843,000	N/A
Teachers' Mutual Bank Ltd.	\$520,700,000	\$11,574,800,000	242,102
Beyond Bank Ltd.	\$496,000,000	\$10,223,000,000	319,000
CUSCAL	\$476,000,000	\$3,477,100,000	N/A

Notes to Table:

¹ This figure includes all gross interest income generated by the company in that financial year.

² All membership data has been sourced where possible from firm websites, annual reports or IBISWorld.

Source: Mazzarol (2025).

A total of 38 financial institutions were included in the 2025 Top 100 CMEs. These firms comprised a variety of businesses including credit unions, customer owned banks, friendly societies and insurance mutuals. The top ten financial services CMEs are, Australian Unity, Heritage and People's Choice Ltd., NGM Group, Credit Union Australia (CUA), Avant Mutual Group, Bank Australia, EML, Teachers' Mutual Bank Ltd., Beyond Bank, and CUSCAL. The combined turnover of the 38 Top 100 financial services CMEs in 2025 was \$13.3 billion with combined memberships of more than 4.8 million. When the total 83 financial services CMEs are included, the combined annual turnover is in excess of \$14.2 billion, with total memberships of more than 5.4 million, see Table 1 for details (Mazzarol, 2025).

COMPETITIVE MARKET PRESSURES AND THE FINANCIAL SERVICES CME

Major factors influencing the Australian financial services sector are increasing competition between the “big four” banks and other competitors including the CMEs and new market entrants in the form of fintech and online neobanks.¹ The financial services CMEs have seen their memberships, bank loan books and deposits growing faster than the big four banks. This superior performance by the financial services CMEs has been attributed to their ability to offer a “community-oriented, customer-first” strategy that offers competitive interest rates and the return of value back to members rather than stock market investors (Tan, 2025). This loss of market share by the big four banks to the CMEs led the big banks to adopt aggressive discounting and cashback offers to secure new retail home mortgage loans.

Over the past five years these increasing market competitive forces have seen a rise in mergers and acquisitions, which provides enhanced financial resources and greater economies of scale and scope (Tan, 2025). As noted above the level of market concentration within the Australian financial services sector is high with the “big four” banks controlling a significant share of the market. This concentration has increased significantly over past decades due to mergers and acquisitions by these major banks. Most of the former state owned and regional banks have been acquired. This includes the acquisition of St George Bank by Westpac, the takeover of BankWest by CBA and the purchase of Aviva by NAB (Wu, 2016a). There has also been some consolidation within the financial services CME sector over the same time period. For example, intense competition and the need for greater economies of scale, saw the number of Credit Unions fall by nearly 50% over the period 2006-2016 (Wu, 2016b). This also occurred within the building societies sector with many either merging, winding up or converting to customer owned banks. According to IBISWorld:

“A large reason for the exits has been the launch of the Competitive and Sustainable Banking System by the Federal Government in 2010. This initiative to open up competition in the banking sector invited many mutuals, particularly those which already met the minimum requirements, to apply for bank status.”
(Wu, 2015)

Revenue growth across the financial services sector over the period 2020 to 2025 has been an AAGR of 8.3%. However, the forecast for the period 2025 to 2030 was a more subdued 1.1% AAGR growth rate. The overall revenue growth across the financial services sector in 2025 was 4.8% with revenue volatility expected to be high (Tan, 2025). Increasing market competition is expected to result in further consolidation as many smaller banks, credit unions, building societies and other institutions are either merged, acquired or closed. At the same time, there is likely to be a rise in the number of neobanks, particularly from overseas (Tan, 2025).

¹ A neobank, also known as a digital bank or challenger bank, is a financial institution that operates entirely online, without physical branches.

It is worth noting that the impact of the Global Financial Crisis of 2008/09 did not appear to impact the building societies in any significant way. Their mutual ownership business model and focus on member benefit, saw more prudent approaches to lending than was the case with many other banks and financial institutions. As a result, these institutions were not affected as much by bad debts. Their reliance on members' deposits as a primary source of funding also help reduce their reliance on having to source money from wholesale debt markets, which were experiencing rising costs of capital (Wu, 2015).

However, for Credit Unions and Building Societies, the outlook is for revenue to decline. Over the period 2019 to 2023 overall revenue growth declined by 8.4%, with the forecast growth for the period 2024 to 2029 to be a decline of 2.5%. This is expected to put greater pressure on these financial services mutuals to engage in mergers and acquisitions (Tan, 2024). This is a trend that has been taking place across the financial services sector within the mutuals for several decades. Many Credit Unions and Building Societies have taken the same path as Bank Australia and converted to Customer Owned Banks. Smaller institutions will embark on mergers in order to protect their members and increase their economies of scale and scope.

EMBRACING MUTUALITY FOR COMPETITIVE ADVANTAGE

Faced with increased competition from a highly competitive financial services sector Bank Australia has chosen to embrace its mutuality and emphasise its customer owned banking status. It has developed a formal statement of purpose as follows:

"Our purpose is to create mutual prosperity for our customers in the form of positive, economic, personal, social, environmental and cultural outcomes" (Bank Australia, 2024).

Faced with the challenges within the financial services industry Bank Australia developed a strategic plan in 2016 designed to take them through to 2020. Part of this strategy was the decision to focus on a few "non-negotiables" that will help to define the business. These included: i) responsible banking; ii) customer ownership; iii) creating and protecting value for the customer. As explained by the senior management team of Bank Australia:

"We looked at how are we going to go about building our plan, and it was three foundations. Our core business is retail banking, and we are in business for our customers who own the bank and by living our values we will achieve our vision. Now the next thing then was the purpose, which you have heard. Our vision – to be Australia's leading customer owned responsible bank and then we go through values and our target market." (Bank Australia, 2016)

To realise their strategy Bank Australia actively engaged with its members to communicate what mutual or customer owned banking is about and the benefits it offers. This amounts to what have

been described as “Marketing Our Co-operative Advantage” (MOCA) (Webb, 1996). Promoting the purpose of the CME and its democratic, member focused business model, is a key way for co-operative and mutual enterprises to secure a competitive advantage within contested markets (Whyatt & Reboud, 2014). The senior management and board of Bank Australia don’t believe that their message will appeal to all customers, but they feel they are not really trying to appeal to the same audience as the “big four” banks. As explained:

“I think over the years we have learnt that there is a group of people who choose to bank with either a credit union or a customer owned bank for some quite specific reasons and what we have actually learnt, I guess as a consequence of that growth and those mergers, is that there is value in customer owned organisations aligning their businesses and their strategies to the values of those people who value those values.” (Bank Australia, 2016)

Market research undertaken by Bank Australia has shown that there is a target market of customer who are attracted to the mutual due to its values and purpose. At least 50% of this target market are strongly attracted to the bank’s values, with price or value for money, in second place. While many within the wider business community and even within the CME sector feel that younger people don’t know about or even care about CMEs, this view was dismissed as not relevant to the strategy of Bank Australia:

“So, I hear that often that younger people don’t care. Sixty percent of our new customers in 2016 are under 39 years old. We are not targeting younger people who don’t care – I’m not sure they exist. We are targeting people who do care. At the end of the day, we are a niche provider...Our strategic plan is very focused: we know where we want to do business; we know where we don’t want to do business; we know what our purpose is and how we create value. I’m sure that our business model would not resonate at all strongly with people who actually don’t care about the values – that’s not our target.” (Bank Australia, 2016)

FOCUSING ON GENERATING MEMBER VALUE

An important aspect of Bank Australia’s strategy is to focus on the creation of a clear member value proposition (MVP) that it can sustain and communicate to its customer-owners. While price is always an important aspect of generating customer value it is typically not the most important thing. Bank Australia actively measures how its interest rates, fees and charges compare with the “big four” banks, and this task is independently undertaken. However, while the company seeks to remain competitive in this respect it also aims to promote its social and environmental policies. In addition, the service culture of Bank Australia is viewed as another source of competitiveness:

"I think another one that's a tangible benefit in terms of our customer value proposition is also the service culture in the organisation. So, I know our staff have the customer at the front line when they are working either in a branch or the contact centre or anywhere in the business, and it does, I think, resonate in terms of the quality of the service that's received by our customers and when I speak to the customers and I go around the branches...the customers just tell us how much they love the staff and the service standards that they get from the business. That doesn't mean that we get everything right all of the time, but it is one of those tangible benefits that form part of your member value proposition." (Bank Australia, 2016)

It was also felt that more can and should be done to communicate the bank's values to both its staff and customers. Where customers were already happy to join the bank for its competitive pricing and excellent service, it was likely that their loyalty would be further strengthened by engaging them in the wider purpose and values espoused by the bank:

"And if you have people who love banking with you not just because of the price and the service that they are getting, but because the values are aligned to theirs and they are proud to be a customer or a member of the bank, that goes a long way to adding deeper, richer and longer-term relationships." (Bank Australia, 2016)

Bank Australia's market research suggests that a key factor in driving member satisfaction is a sense that "the bank looks after my best interests". This suggests a level of member engagement and identity with the CME that reflects the members' recognition that Bank Australia exists for the sole purpose of looking after the best interests of its member-customers. This is likely to help foster a strong sense of ownership among members. An illustration of this was a request in 2015 by the bank's marketing staff for members to volunteer for advertising messages highlighting customers' good news stories. Within 12 hours 138 customers had volunteered to participate, many saying that they would "like to stand proud and be the face of the bank in our advertising" (Bank Australia, 2016).

DEMOCRACY, MEMBER VOICE AND COMMUNITY OF PURPOSE

Another feature of what differentiates Bank Australia from the "big four" is its adherence to the principles of democracy in its governance. All member-customers have voting rights with each customer having one vote under the "one-member-one-vote" democratic principles. Members can attend annual general meetings (AGM) and exercise their voting rights. Further, if they have remained loyal for a minimum of two-years and have been assessed as having sufficient knowledge and skills by the bank's nominations committee, members can stand for election to the board. In 2025 Bank Australia's purpose and aspiration were stated as follows,

***“Purpose:** To inspire and empower our customer to use their money to create a world where people and the planet thrive”.*

***“Aspiration:** To be Australia’s most trusted bank and leading purpose-driven business. To meet our aspiration, we are focused on being:*

A good bank with strong commercial foundations, people, technology and capabilities needed to support our customers.

A force for good to increase the positive impact we have on people and the planet through the business of banking” (Bank Australia, 2024, p. 21).”

Bank Australia also invests up to 4% of its after-tax profits into community projects. In doing so it has engaged with its members in helping make decisions over what projects to target. This has included raising money for the Country Fire Authority, and numerous smaller projects that are initiated by the bank’s staff at the local community level. This allows Bank Australia to engage not only with members, but with a wider community. During 2024 the Bank Australia Impact Fund invested 25% into climate action projects, 23% into programs focused on recognition and respect towards First Nations people, 36% into nature and biodiversity projects, and 16% into a variety of other community support activities (Bank Australia, 2024).

This work highlights what Bank Australia sees as its development of a community of interest or purpose. This is often quite broad and is driven by things that its member-customers feel are important beyond just getting good prices and services. As explained:

“Well, I would say community of interest and community of purpose are very similar terms and the community of interest or community of purpose back in 1957 was providing low-cost credit and accessibility to credit to a group of scientists. The community of interest these days and community of purpose is around engaging people who through the business of banking, want to influence a positive change in their community. They are no longer defined, as I said before, by vocation or location, they define their own attitudes and values more so.”

“Our corporate affairs team, through their stakeholder engagement work, regularly surveys our customer base to understand what that community of interest, what those interests are. So, we know at any one time what the top five, ten, interests of our customers are. The top one being at the moment renewable energy, the second one being climate change and then it moves to issues like domestic violence and access to education in lower socioeconomic communities which gives us that purpose that can underpin the bank both in terms of the lending that we might do, but also in terms...[of] the investments that we might make to our community investment fund.”

"So, it is a very focused and strategic way of being able to allocate funds. The other part of that process is that it gives us then the opportunity to be able to be quite focused and disciplined in how we report back to the customers, not just purely in financial terms, but in non-financial terms around the impact that the bank can have using people's money." (Bank Australia, 2016).

This approach to offering not only good service and competitive pricing, but the ability to become part of a larger community of purpose, has helped Bank Australia recruit new customers. An example given was that over a single year, as the bank actively promoted its "MOCA", the level of new customers joining the bank increased to record levels. At least half of these people said that they had been motivated to become a customer because there was an alignment between their own personal values and what they saw at the values of the bank. At one branch located close to the University of Melbourne and RMIT University many young university students were opening accounts because of the values of the bank and its stated decision not to invest in the fossil fuels industry.

"MOCA" IS BECOMING A TREND AMONGST FINANCIAL SERVICES CMES

Bank Australia has made a strategic decision to embrace its mutuality and focus on being different from mainstream banking. It has tapped into what seems to be a growing segment of the community that wants an alternative. This appears to be people who are socially aware and concerned about making positive change both in economic and social terms. Environmental awareness is also important and the bank's values are already becoming an attractive proposition for many new members. Bank Australia also feels that this embracing of mutuality and the promotion of the "MOCA", is something that is already becoming accepted across the financial services CME sector. As explained by their senior management:

"I think while we have the first mover advantage, we have been really pleased to see a number develop their organisations along similar positioning to ours. So, I just think that whether mutual ADIs have seen value in our proposition and they have sought to build that in terms of their own context, their own organisation, I think that actually helps to strengthen and build the resistance in the mutual banking sector. So, I would be quite pleased to see many of them come back to understand what their purpose is and how they create value for their customer owners" (Bank Australia, 2016).

Bank Australia is a certified B Corporation (B Corp), which means that it is one of more than 9,000 organisations committed to making a positive impact on the world. Its focus is on "responsible banking" and so it invests its member's funds into clean energy transition, inclusive and community housing, small and medium enterprises, not-for-profit and for-purpose companies, other responsible banks, government bonds, and its members. However, it will not invest in fossil fuels (e.g., coal, oil and gas), live animal export, intensive animal farming, tobacco, gambling, weapons manufacturing, and industries using live animals for cosmetic testing or harmful trade (Bank Australia, 2024).

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Bank Australia – Australia's first mutual bank

THE IMPORTANCE OF GOOD GOVERNANCE

Leadership and good governance are essential to the success of any business enterprise. However, the co-operative and mutual enterprise (CME) provides a particularly challenging environment with studies highlighting poor governance as one of the key weaknesses facing such businesses (Birchall and Simmons, 2009).

The role of a board of a co-operative is not only to ensure the efficient operation of the business, but to ensure that the overall purpose for which the enterprise was created is fulfilled, and the 'cooperative identity' of the organisation preserved (Othman, Mohamad, and Abdullah, 2013).

"In a manner of speaking, an indifference to the affairs of the co-operatives indicates members do not engage themselves in the operations and management of cooperatives, opting to leave the matters to the management to make decisions as deemed fit to their intentions" (Othman et al. 2016, pp. 8-9).

Bank Australia recognises that strong corporate governance and risk management are central to its operations. The main elements of its governance and risk framework are outlined below.

GOVERNMENT REGULATION OF BANK AUSTRALIA

Bank Australia, though unlisted, follows most Australian Stock Exchange Corporate Governance Principles and Recommendations through a strong governance framework. The company is overseen by the Australian Prudential Regulation Authority (APRA), which supervises banking, insurance, and superannuation institutions. APRA is a statutory authority of the Australian Federal Government. Under APRA regulations Bank Australia is required to maintain a diversified liquidity portfolio with securities from government and various authorised deposit-taking institutions, including major and regional banks (Bank Australia, 2024).

This portfolio comprises fixed term deposits, negotiated certificates of deposit, bank bills, bonds, covered bonds, mortgage-backed securities, and floating rate notes, all of which are maintained in accordance with APRA's liquidity requirements. Bank Australia is also subject to regulation by ASIC, the authority responsible for oversight under the Corporations Act 2001. ASIC serves as Australia's regulator for corporations, markets, and financial services. The bank operates as a Mutual Entity as defined by Section 51M of the Corporations Act 2001 (Bank Australia, 2024).

Bank Australia is regulated by a range of state, territory, and Commonwealth agencies across its operations and workforce. These include the Department of Health, the Australian Taxation Office, the Fair Work Ombudsman, the Workplace Gender Equality Agency, the Australian Transaction Reports and Analysis Centre, the Office of the Australian Information Commissioner, and various work health and safety regulators. These regulations require the bank to continuously maintain policies and practices in order to ensure compliance with the legal requirements stipulated under each specific legislation (Bank Australia, 2014).

THE GOVERNANCE STRUCTURE OF BANK AUSTRALIA

Bank Australia is a customer-owned mutual, structured as a public unlisted company under section 51M of the Corporations Act 2001. Regulated by APRA and overseen by a Board of Directors, its customers elect most Non-Executive Directors and vote at Annual General Meetings. The Board oversees Bank Australia's governance and ensures effective risk management frameworks are in place to foster a strong risk culture (Bank Australia, 2024).

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board of Bank Australia has several responsibilities:

- The board establishes corporate objectives.
- It develops, with management, the corporate culture, strategy and policy.
- It appoints the Managing Director and evaluates their performance.
- It provides oversight for Bank Australia's operations and ensures they align with the company's corporate values.
- It ensures the appropriate control frameworks are in place, including the capital structure.
- It accepts responsibility for compliance with APRA prudential standards, the Australian Corporations Act and other regulatory and legislative requirements
- It approves the budget, and sets risk appetite (Bank Australia, 2024).

OPERATIONS OF THE BOARD

The Bank Australia Board generally meets 8 times a year, plus the Annual General Meeting and annual Board planning (two days usually). It has established committees, which meet as follows:

- Risk (6 times per year),
- Audit (4 times per year),
- Governance & Remuneration (4 times per year),
- Nominations (once per year).

In FY2023/24, the Board dissolved the Corporate Actions Committee in February 2024, transferring its responsibilities to the Governance and Remuneration Committee.

The Board has limited Directors' tenure (via Bank Australia's constitution) to 12 years. The average tenure of Non-Executive Directors at the end of this financial year is 5 years. It is comprised of 8 Directors. 5 independent, Non-Executive Directors are appointed by members and there are two Non-Executive Board appointed Directors, one of which is non-independent

(Marcus Thompson previously consulted to the bank). The Managing Director Damien Walsh is an Executive member of the Board (Bank Australia, 2024).

Every 3 years of service, each member appointed Director will be eligible for reappointment if they qualify and would like to stand for the position again. This appointment occurs through a member vote at the Annual General Meeting. Members can vote for or against reappointment of specific Directors and can vote for alternate candidates if other candidates have nominated and pass a due diligence process, which includes a Fit & Propriety Assessment to enable them to stand for election. The Board may also reappoint Board appointed Directors at its discretion, as long as there remains a majority of member appointed Directors (Bank Australia, 2024).

Table 2: Bank Australia Board Committees

Committee	Activities
Risk Committee	The Board Risk Committee oversees the implementation and ongoing operation of the risk management framework, risk identification and control and ensures the bank meets its prudential and statutory requirements in relation to the risk management framework. It fulfils Bank Australia's obligations under Prudential Standard CPS 510 – Governance requiring a Board Risk Committee with specific responsibilities. The Risk Committee meets 6 times per year.
Audit Committee	The Board Audit Committee helps the Board fulfil its corporate governance responsibilities relating to the oversight of Bank Australia's reporting obligations, audit function, internal control and compliance framework, and promoting an ethical culture of compliance throughout the organisation. It fulfils Bank Australia's obligations under Prudential Standard CPS 510 – Governance requiring a Board Audit Committee with specific responsibilities. The Audit Committee meets 4 times per year.
Governance and Remuneration Committee	The Board Governance and Remuneration Committee ensures Bank Australia has a strong and effective governance framework for fulfilling Bank Australia's remuneration responsibilities and constitutional matters and advises the Board on related matters. It fulfils Bank Australia's obligations under Prudential Standard CPS 510 – Governance requiring a Board Remuneration Committee with specific responsibilities. The Governance and Remuneration Committee meets 4 times per year.
Nominations Committee	The Nominations Committee is responsible for determining the appropriateness of candidates for Director elections and appointments. It oversees nominations submitted from eligible customers and interviews nominees to assess their fitness and propriety to be and act as a Director. The Nominations Committee consists of two independent members plus the Chair of the Board. (If the Chair of the Board is standing for election, the Chair of the Governance and Remuneration Committee acts as the third member of the Nominations Committee.) The Nominations Committee is formed annually and meets as needed.

Source: Bank Australia (2024, p. 301).

As listed in Table 2, Bank Australia manages its governance via four standing committees that focus on risk management, auditing, governance and remuneration, and nominations. The bank has a well-developed compliance framework that is implemented and overseen by dedicated compliance managers. This ensures that the bank has ongoing compliance with all laws and regulatory requirements with particular attention to industry specific requirements (Bank Australia, 2014).

AUDITING AND TRANSPARENCY

Bank Australia engages in both internal and external auditing. The external auditor appointed by the bank is Ernst & Young (EY), which is one of the big professional services accounting firms. It has been contracted to undertake annual independent audits and prepare reports for members in accordance with the requirements set out in the Corporations Act for the year under review.

The audit report is provided at the end of the Financial Report and a representative from the independent auditor is usually present at the Annual General Meeting (AGM) in order to answer any questions from members on the conduct of the audit, the preparation and content of the auditor's report, accounting policies adopted in the preparation of the financial statements and EY's independence in relation to the conduct of the audit of the bank's financial statements. The independent auditor also undertakes non-financial assurance procedures over the materiality process and selected performance metrics disclosed in the bank's annual Impact Report (Bank Australia, 2024).

Internal auditing is sub-contracted by Bank Australia to another large accounting firm, Price Waterhouse Coopers (PwC), who were appointed in January 2023. The role of the internal auditor is to assess whether Bank Australia's framework of risk management, control and governance processes are adequate and functioning in a manner that supports various aims, including: i) the appropriate identification, reporting and management of risks; ii) the accuracy, reliability and relevance of financial, managerial and operating information; iii) the compliance of employees' actions with policies, standards, procedures and applicable laws and regulations (Bank Australia, 2024).

FUTURE DIRECTIONS

The Australian financial services sector is highly competitive and dominated by a small group of four major investor-owned banks. Since the deregulation of the Australian financial services sector in the 1980s, the legal separation of banks and mutual firms like Credit Unions and Building Societies essentially disappeared. This led to many Credit Unions and Building Societies demutualising and converting into investor-owned banks, most of which were taken over by one of the four major publicly listed banks.

To survive in this market environment financial services CMEs like Bank Australia converted into Customer Owned Banks, which remained true to co-operative and mutual principles, and adopted strategies that emphasised their focus on responsible banking. This places the needs of the

member-customers as the highest priority, and to build trust with their members, aspiring to be the most trusted bank in Australia.

Bank Australia's strategy emphasises the alignment of its corporate values with those of its members. This takes the form of investments in environmentally sustainable industries, CO2 reduction projects, First Nations reconciliation initiatives, and community welfare activities. This "impact finance" strategy is explained by Bank Australia as follows:

"Many of our customers join our bank because they want to know that their money is being used in a way that aligns with their values. That means knowing the funds sitting in transaction or savings accounts, or the interest they pay on loan products, are not being used to fund things that are excluded in our responsible banking policy" (Bank Australia, 2024, p. 49).

To date, Bank Australia has achieved successful growth using its "responsible bank", values-based strategy. Its growth has been accelerated by a series of mergers through which it has acquired both the member-customers and financial assets of the smaller institutions. Despite this success, Bank Australia cannot remain complacent.

KEY LESSONS FROM THE CASE

The case study of Bank Australia provides several key lessons.

EMBRACING MUTUALITY AS A FOUNDATION FOR COMPETITIVE ADVANTAGE

The case highlights the importance of embracing mutuality to provide a foundation for competitive advantage as a co-operative or mutual enterprise (CME). Bank Australia's success is rooted in its commitment to the mutual (customer-owned) business model, which prioritises member benefit over shareholder profit. The bank's strategy has focused specifically on responsible banking, customer ownership, and creating/protecting value for its members. By clearly communicating its purpose and values, Bank Australia attracts a niche market of customers who are aligned with its mission, especially those who value ethical, social, and environmental outcomes.

FOCUSING ON DEVELOPING A MEMBER VALUE PROPOSITION (MVP)

Bank Australia has also focused on developing its Member Value Proposition (MVP). The bank's MVP extends beyond competitive pricing to include excellent service, strong member engagement, and alignment with customer values. Member satisfaction is driven by the perception that the bank acts in their best interests, fostering loyalty and a sense of ownership. Bank Australia's approach demonstrates that a strong values-based proposition can be a sustainable source of competitive advantage.

EMPHASISING DEMOCRACY AND MEMBER ENGAGEMENT

A third important lesson is the bank's emphasis on fostering democracy and member Engagement as a key aspect of its MVP and overall purpose. Bank Australia practices democratic governance, with each member having one vote and the ability to stand for board election after meeting certain criteria. The bank actively involves members in decision-making, including community investment choices, reinforcing the sense of ownership and community.

BUILDING A COMMUNITY OF PURPOSE

Bank Australia has also successfully built its competitive position within the competitive financial services sector by focusing on its community of purpose. The bank invests a portion of its profits into community projects, with a focus on climate action, First Nations recognition, biodiversity, and social support. This "community of purpose" approach attracts customers who want their banking to have a positive social and environmental impact.

POSSESSING GOOD GOVERNANCE AND REGULATION

As financial institution with a strong focus on responsible banking, Bank Australia has placed a priority on developing and maintaining good governance and regulation. Strong governance and risk management are central to Bank Australia's operations, with oversight from APRA and ASIC. The board is structured to ensure independence, regular renewal, and compliance with regulatory standards. Internal and external audits ensure transparency and accountability.

STRATEGIC GROWTH THROUGH MERGERS

As discussed in the case, Bank Australia has adopted a growth strategy that emphasises mergers with similar financial services institutions such as Qudos Bank. Bank Australia has grown by merging with other mutuals and credit unions, a trend driven by increasing regulatory complexity and market pressures on smaller institutions. Mergers provide economies of scale and help mutuals remain competitive in a sector dominated by large investor-owned banks.

RESILIENCE AND ADAPTATION

Bank Australia has also demonstrated a strong capacity for resilience and adaptation over the course of its history. The mutual model has shown resilience, particularly during financial crises, due to prudent lending and reliance on member deposits. The bank's focus on responsible banking and impact finance (e.g., not investing in fossil fuels or harmful industries) differentiates it from mainstream banks.

SECTOR TRENDS AND FUTURE DIRECTIONS

The bank operates in a highly competitive and dynamic market environment. This requires the company to adjust its business model to sector trends and develop appropriate strategies for the Bank's future direction. The Australian financial services sector is highly competitive, with ongoing consolidation and the rise of fintech and neobanks. Mutuals like Bank Australia must continue to innovate, communicate their unique value, and align with the evolving values of their members to thrive.

IN SUMMARY

Bank Australia's case demonstrates that a clear purpose, strong member engagement, ethical governance, and a focus on community impact can provide a sustainable competitive edge for mutual banks. Their experience highlights the importance of aligning business strategy with member values, embracing democratic principles, and adapting to a rapidly changing financial landscape.

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