MAITLAND MUTUAL BUILDING SOCIETY LIMITED
ABN 94 087 651 983

Public disclosure of prudential information in accordance with APRA prudential standard APS 330

As at 30 June 2019

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Introduction

In accordance with Australian Prudential Standard *APS 330 Public Disclosure* (APS 330), locally incorporated authorised deposit-taking institutions are required to disclose information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices so as to contribute to the transparency of financial markets and to enhance market discipline.

Capital management plan

Maitland Mutual Building Society Limited (The Mutual) has a capital management plan which:

- sets out its strategy for maintaining adequate capital over time, including its capital target for providing a buffer against risks involved in The Mutual's activities;
- details how that target will be met; and
- identifies the means available for sourcing additional capital when required.

Risk management plan

The Mutual has a risk management plan which includes systems and procedures to identify, measure, monitor and manage the risks arising from its activities on a continuous basis to ensure that capital is held at a level consistent with its risk profile.

Basel III

In making its capital disclosures, The Mutual is using the post 1 January 2018 common disclosure template (Table 1) because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

Regulatory capital reconciliation

Balance Sheet (audited)	30 June 2019 $ M		Common disclosure reference
Assets			
Cash and cash equivalents	124.421		
Placements with other financial institutions	0.050		j
Loans and advances to members	593.085		
Other receivables	0.677		
Financial assets	37.806		k
Intangible assets	0.523		f
Property, plant and equipment	7.403		
Deferred tax assets	0.529		
Of which: eligible as regulatory adjustments from CET1		*0.529*	e
Total assets	764.494		
Liabilities			
Deposits from other financial institutions	53.702		
Deposits due to members	647.308		
Of which: instruments subject to phase out from tier 2		*2.800*	h
Other borrowed funds	10.611		
Payables	1.300		
Current tax liabilities	0.042		
Provisions	1.853		
Total liabilities	714.816		
Net assets	49.678		
Equity			
Reserves	4.728		b
Of which: general provision		*1.125*	i
Contributed equity	4.728		c
Retained earnings	44.950		
Of which: eligible for CET1		*43.763*	a
Of which: loan origination fees		*0.114*	g
Total equity	49.678		

Table 1	Common disclosures		
		30 June 2019 $ M	Source in regulatory capital reconciliation
	Common Equity Tier 1 capital		
	Instruments and reserves		
2	Retained earnings	38.769	a
3	Accumulated other comprehensive income (and other reserves)	9.722	b + c + d - i
6	Common Equity Tier 1 capital before regulatory adjustments	48.491	
	Regulatory adjustments		
10	Deferred tax assets that rely on future profitability excluding those assets arising from temporary differences (net of related tax liability)	0.529	e
26	National specific regulatory adjustments:		
26f	Capitalised expenses	0.637	f + g
28	Total regulatory adjustments to Common Equity Tier 1	1.166	
29	Common equity Tier 1 Capital (CET1)	47.325	
45	**Tier 1 capital**	**47.325**	
	Tier 2 capital		
	Instruments and provisions		
46	Directly issued qualifying capital instruments subject to phase out from Tier 2	2.800	h
50	Provisions	1.125	i
51	Tier 2 capital before regulatory adjustments	3.925	
	Regulatory adjustments		
54	Investments in Tier 2 capital of entities outside the scope of regulatory consolidation, where the ADI does not own more than 10% issued share capital	0.098	j + k
57	Total regulatory adjustments to Tier 2 capital	0.098	
58	**Tier 2 capital**	**3.827**	
59	**Total capital**	**51.152**	
60	Total risk weighted assets based on APRA standards	337.102	

		30 June 2019
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of Risk Weighted Assets)	14.04%
62	Tier 1 (as a percentage of Risk Weighted Assets)	14.04%
63	Total capital (as a percentage of Risk Weighted Assets)	15.17%
64	Buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any countercyclical buffer requirements expressed as a percentage of Risk Weighted Assets)	7.00%
65	*of which: capital conservation buffer requirements*	*2.50%*
66	*of which: ADI-specific countercyclical buffer requirements*	*Not Applicable*
68	Common Equity Tier 1 available to meet buffers	7.18%

		30 June 2019 $ M
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	1.125
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3.835

Table 2 **Main features of capital instrument: Subordinated notes**

1. Issuer — Maitland Mutual Building Society Limited
3. Governing laws of the instrument — New South Wales, Australia

	Subordinated note number	**8**	**9**	**10**
	Regulatory treatment			
4	Transitional Basel III rules	Tier 2		
5	Post-transitional Basel III rules	Ineligible		
6	Eligible at solo/group/group & solo	Not applicable		
7	Instrument type	Subordinated notes		
8	Amount recognised in Regulatory Capital	$2.00 M	$0.30 M	$0.50 M
9	Par value of instrument	$2.00 M	$0.30 M	$0.50 M
10	Accounting classification	Liability – amortised cost		
11	Original date of issuance	5/9/2017	1/8/2018	1/10/2018
12	Perpetual or dated	Dated		
13	Original maturity date	5/9/2027	1/8/2028	1/10/2028
14	Issuer call subject to prior supervisory approval	Yes		
15	Optional call date, contingent call dates and redemption amount	5/9/2022	1/8/2023	1/10/2023
		Redemption at par value		
16	Subsequent call dates, if applicable	Quarterly interest payment dates after optional call date		
	Coupons/dividends			
17	Fixed or floating dividend coupon	All floating		
18	Coupon rate and any related index	Australian 90 day BBSW rate + 300 basis points		
19	Existence of a dividend stopper	No		
20	Fully, partially discretionary or mandatory	Partially discretionary		
21	Existence of step up or other incentive to redeem	No		
22	Non cumulative or cumulative	Non cumulative		
23	Convertible or non-convertible	Non convertible		
30	Write-down feature	No		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Unsubordinated creditors		
36	Non-compliant transitional features	No write down or convertible features		

Table 3 Capital adequacy

	30 Jun 2019	31 Mar 2019
Capital requirements (in terms of risk weighted assets) for:		
Credit risk (excluding securitisation)	306,836,690	293,168,612
Operational risk	30,265,553	27,859,776
Capital ratios as a percentage of risk weighted assets:		
Common equity Tier 1	14.04%	14.29%
Tier 1	14.04%	14.29%
Total capital	15.17%	15.52%

Table 4 Credit risk

				Average exposure 3 months ended	
		30 Jun 2019	31 Mar 2019	*30 Jun 2019*	*31 Mar 2019*
(a)	**Major types of credit exposure:**				
	Cash	2,747,066	2,889,864	*2,704,774*	*2,811,213*
	Claims on Australian Governments	6,086,294	4,959,997	*5,428,436*	*4,837,919*
	Claims on other ADIs	153,788,168	135,327,073	*150,821,006*	*136,492,621*
	Loans secured by ERMS	548,607,861	522,441,508	*539,111,909*	*519,901,954*
	Other loans and exposures	92,679,811	98,834,296	*95,924,747*	*98,916,714*
	Other assets	7,476,192	4,922,434	*6,955,990*	*6,757,168*
		811,385,393	769,375,171	*800,946,863*	*769,717,589*

Table 4 **Credit risk** continued

		As at 30 June 2019		3 Months ended 30 Jun 2019	
	Impaired facilities	Past due	Specific provisions	Charges against specific provisions	Bad debts written off
	$	$	$	$	$
(b) By portfolio					
Lending to residents					
Owner occupied housing	-	1,713,620	118,159	-	-
Investor housing	-	203,904	-	-	-
Other personal loans	-	12,457	3,082	-	-
Private Corporations	-	624,285	41,217	-	-
Unincorporated businesses	-	427,988	108,177	-	-
	-	2,982,254	270,635	-	-

(c) General reserve for credit losses	30 Jun 2019	31 Mar 2019
	$	$
Closing Balance	1,124,553	1,239,847

Table 5 **Securitisation exposures**

		30 Jun 2019	31 Mar 2019
		$	$
(a)	Exposures securitised during the year	-	-
(b)	On-balance sheet securitisation exposures retained or purchased	-	-
	Off-balance sheet securitisation exposures:		
	Housing loans	7,806,506	7,921,982
	Commercial loans	-	25,323
		7,806,506	7,947,305

Table 18 **Remuneration**

Qualitative disclosures

The Remuneration and Nominations Committee (the Committee) is responsible for overseeing remuneration of senior managers and material risk takers. The Committee is composed of all current members of the Board of Directors.

The Committee's purpose is to assist the Board to fulfil its corporate governance responsibilities in regards to:

- Board and Board Committee appointments and inductions;
- Selection, appointment and succession planning of The Mutual's Chief Executive Officer;
- Annual reviews of the performance of the full Board, its committees, individual Directors and Chief Executive Officer;
- Carrying out the responsibilities outlined in the Board Renewal Policy; and
- The remuneration of all persons whose actions could put The Mutual's financial soundness at risk as defined in the Remuneration Policy.

During the year ended 30 June 2019, The Mutual sought the advice of external consultants McGuirk Management Consultants Pty Ltd to provide Mutual ADI remuneration benchmarking data.

The Board regards the following positions as senior managers whose activities may affect the financial soundness of The Mutual:

	Number employed
Chief Executive Officer	1
Manager – Finance and Administration	1
Manager – Information Systems	1
Manager – Lending Services	1
Manager – Lending and Compliance	1
Manager – Legal	1
Manager – Human Resources	1
Manager – Risk	1
Manager – Compliance	1
Total senior managers	9

The objectives of The Mutual's *Remuneration Policy* are

- To be compliant with APS 510
- To encourage behaviour that supports The Mutual's long term financial soundness and risk management framework
- To motivate persons to manage and lead the business successfully and to drive strong long-term organisational growth in line with strategy, business objectives and the management of risk
- In relation to variable or performance-based components of remuneration, to encourage behaviour that supports The Mutual's long term financial soundness and risk management framework
- To ensure that the structure for the remuneration of risk and financial control personnel, including performance based components if any, does not compromise the independence of these personnel in carrying out their functions
- To provide competitive and reasonable remuneration to attract and retain high calibre employees
- To ensure that the remuneration of staff is kept an affordable level based on a combination of the employee's performance, The Mutual's ability to continue to operate as a going concern, and wider macroeconomic factors.

The Remuneration Policy is reviewed by the Board of Directors annually. Changes made during the past year include:

- Expanding the Salary at Risk Objectives to better align with CPS 510

The Board approves Strategic Plans and Business Plans (1 year and 3 years), identifying the Key Performance Indicators for The Mutual. The Board assesses and articulates the key risks of The Mutual annually or as required in its Risk Appetite Statement.

The Committee determines the Payments to Risk and Financial Control personnel (as defined in CPS 510). Payments for these personnel do not include a "salary at risk" component.

The Committee, in consultation with the Chief Executive Officer, determines the remuneration of senior managers based on their performance, direct accountability and responsibility for the operational risk management, strategic direction, leadership and decision-making for The Mutual.

The Board of Directors determines the remuneration of the Chief Executive Officer and considers whether any change should be made to the base salary on an annual basis. The Board determines on an annual basis whether a "salary at risk" component will apply and the goals, key risk indicators or benchmarks to apply.

The Mutual does not have a long-term incentive scheme. The Board Remuneration and Nomination Committee, considers the longer term performance of The Mutual in determining remuneration for Senior Management.

There have not been any significant changes to the nature and type of performance measures over the year ended 30 June 2019.

Non-executive directors do not receive any variable or performance based remuneration.

Quantitative disclosures

The Remuneration and Nominations Committee met once during the year ended 30 June 2019 and the Board of Directors met twelve times. Members of the Remuneration and Nominations Committee do not receive additional remuneration for their involvement with the committee.

No senior managers received variable remuneration during the financial year.
No guaranteed bonuses were awarded during financial year.
No sign on awards were awarded during the financial year.
No senior manager retired during the year.

There is no outstanding deferred remuneration.

Total value of remuneration awards for senior managers	Unrestricted $	Deferred $
Fixed remuneration:		
Cash based	2,136,161	Nil
Shares and share-linked instruments	Nil	Nil
Other	Nil	Nil
Variable remuneration:		
Cash based	Nil	Nil
Shares and share-linked instruments	Nil	Nil
Other	Nil	Nil

The Mutual does not issue any shares or share-linked instruments, so no persons have exposure to implicit or explicit adjustments in its share value.