

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

As at 30 June 2021

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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 Limited (The Mutual Bank) 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 Bank'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 Bank 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 Bank 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 2021 \$ M	Common disclosure reference
<b>Assets</b>		
Cash and cash equivalents	129.115	
Placements with other financial institutions	0.000	j
Loans and advances to members	680.894	
Current tax receivable	0.457	
Other receivables	0.865	
Financial assets	59.083	k
Intangible assets	0.534	f
Right of use asset	4.624	
Property, plant and equipment	26.881	
Deferred tax assets	0.069	
<i>Of which: eligible as regulatory adjustments from CET1</i>	<i>0.069</i>	e
<b>Total assets</b>	<b>902.522</b>	
<b>Liabilities</b>		
Deposits from other financial institutions	44.946	
Deposits due to members	756.724	
<i>Of which: instruments subject to phase out from tier 2</i>	<i>4.310</i>	h
Other borrowed funds	35.983	
Payables	1.511	
Provisions	1.909	
Lease Liabilities	4.833	
<b>Total liabilities</b>	<b>845.906</b>	
<b>Net assets</b>	<b>56.616</b>	
<b>Equity</b>		
Reserves	0.000	b
Contributed equity	4.728	c
Retained earnings	51.888	
<i>Of which: eligible for CET1</i>	<i>51.342</i>	a
<i>Of which: asset revaluation reserve</i>	<i>0.000</i>	d
<i>Of which: general provision</i>	<i>0.722</i>	i
<i>Of which: loan origination fees</i>	<i>0.105</i>	g
<b>Total equity</b>	<b>56.616</b>	

Table 1 **Common disclosures**

	30 June 2021 \$ M	Source in regulatory capital reconciliation
<b>Common Equity Tier 1 capital</b>		
Instruments and reserves		
2 Retained earnings	51.342	a
3 Accumulated other comprehensive income (and other reserves)	4.728	b + c + d
6 Common Equity Tier 1 capital before regulatory adjustments	56.070	
Regulatory adjustments		
10 Deferred tax assets that rely on future profitability excluding those assets arising from temporary differences (net of related tax liability)	0.069	e
26 National specific regulatory adjustments:		
26f Capitalised expenses	0.638	f + g
28 Total regulatory adjustments to Common Equity Tier 1	0.707	
29 Common equity Tier 1 Capital (CET1)	55.363	
<b>45 Tier 1 capital</b>	<b>55.363</b>	
<b>Tier 2 capital</b>		
Instruments and provisions		
46 Directly issued qualifying capital instruments subject to phase out from Tier 2	4.310	h
50 Provisions	0.722	i
51 Tier 2 capital before regulatory adjustments	5.032	
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	
<b>58 Tier 2 capital</b>	<b>4.934</b>	
<b>59 Total capital</b>	<b>60.297</b>	
60 Total risk weighted assets based on APRA standards	414.019	

30 June 2021

**Capital ratios and buffers**

61	Common Equity Tier 1 (as a percentage of Risk Weighted Assets)	13.37%
62	Tier 1 (as a percentage of Risk Weighted Assets)	13.37%
63	Total capital (as a percentage of Risk Weighted Assets)	14.56%
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	<i>of which: capital conservation buffer requirements</i>	2.50%
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	Not Applicable
68	Common Equity Tier 1 available to meet buffers	6.56%

30 June 2021  
\$ 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)	0.722
77	Cap on inclusion of provisions in Tier 2 under standardised approach	4.736

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

1. Issuer Maitland Mutual 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	5/09/2017	1/08/2018	1/10/2018
12	Perpetual or dated	Dated		
13	Original maturity date	5/09/2027	1/08/2028	1/10/2028
14	Issuer call subject to prior supervisory approval	Yes		
15	Optional call date, contingent call dates and redemption amount	5/09/2022	1/08/2023	1/10/2023
16	Subsequent call dates, if applicable	Redemption at par value		
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 2 **Main features of capital instrument: Subordinated notes** continued

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

Subordinated note number		11	12	13
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	\$0.50 M	\$0.30 M	\$0.21 M
9	Par value of instrument	\$0.50 M	\$0.30 M	\$0.21 M
10	Accounting classification	Liability – amortised cost		
11	Original date of issuance	10/07/2019	21/08/2019	26/09/2019
12	Perpetual or dated	Dated		
13	Original maturity date	10/07/2029	21/08/2029	26/09/2029
14	Issuer call subject to prior supervisory approval	Yes		
15	Optional call date, contingent call dates and redemption amount	10/07/2024	21/08/2024	26/09/2024
		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		
	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 2 **Main features of capital instrument: Subordinated notes** continued

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

Subordinated note number		14
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	\$0.50 M
9	Par value of instrument	\$0.50 M
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	30/09/2019
12	Perpetual or dated	Dated
13	Original maturity date	30/09/2029
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	30/09/2024
		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
	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 2021	31 Mar 2021
<b>Capital requirements (in terms of risk weighted assets) for:</b>		
Credit risk (excluding securitisation)	378,956,792	363,938,459
Operational risk	35,120,831	33,774,479
<b>Capital ratios as a percentage of risk weighted assets:</b>		
Common equity Tier 1	13.37%	13.59%
Tier 1	13.37%	13.59%
Total capital	14.56%	14.76%

Table 4 **Credit risk**

	30 Jun 2021	31 Mar 2021	<i>Average exposure 3 months ended</i>	
			<i>30 Jun 2021</i>	<i>31 Mar 2021</i>
<b>(a) Major types of credit exposure:</b>				
Cash	2,768,419	2,649,983	2,661,989	2,670,790
Claims on Australian Governments	12,240,449	12,077,173	12,187,021	12,970,240
Claims on other ADIs	173,166,286	162,908,823	168,318,971	154,791,306
Loans secured by ERMS	652,535,387	622,821,168	639,881,021	618,608,766
Other loans and exposures	104,573,531	105,968,486	105,817,160	102,151,322
Other assets	32,051,102	31,494,387	31,560,745	31,258,155
	977,335,175	937,920,019	960,426,907	922,450,578

**Table 4 Credit risk continued**

		As at 30 Jun 2021			3 Months ended 30 Jun 2021	
		Impaired facilities	Past due	Specific provisions	Charges against specific provisions	Bad debts written off
		\$	\$	\$	\$	\$
<b>(b) By portfolio</b>						
Lending to residents						
Owner occupied housing		385,184	385,184	-	-	-
Investor housing		-	-	-	-	-
Other personal loans		-	14,423	17,572	-	116
Private Corporations		133,118	133,118	106,494	-	-
Unincorporated businesses		-	-	-	-	-
		518,302	532,725	124,066	-	-
<b>(c) General reserve for credit losses</b>						
			30 Jun 2021	31 Mar 2021		
			\$	\$		
Closing Balance			721,571	1,095,982		

**Table 5 Securitisation exposures**

		30 Jun 2021	31 Mar 2021
		\$	\$
(a) Exposures securitised during the year		-	-
(b) On-balance sheet securitisation exposures retained or purchased		-	-
Off-balance sheet securitisation exposures:			
Housing loans		4,514,996	4,678,408
Commercial loans		-	-
		4,514,996	4,678,408

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 regard to:

- Board and Board Committee appointments and inductions
- Selection, appointment and succession planning of The Mutual Bank'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 Bank's financial soundness at risk as defined in the Remuneration Policy.

During the year ended 30 June 2021, The Mutual Bank 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 Bank:

	Number employed
Chief Executive Officer	1
Chief Credit Officer	1
Chief Operations Officer	1
Chief Financial Officer	1
Chief Risk Officer	1
Information Systems Manager	1
Compliance Manager	1
Manager – Legal and Compliance	1
Total senior managers	8

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

- To be compliant with APS 510
- To encourage behaviour that supports The Mutual Bank'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 Bank'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 at an affordable level based on a combination of the employee's performance, The Mutual Bank'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:

- Position titles updated to align with the current organisational structure;
- References to employee 'classes' removed; and
- Provision that allows outstanding contributions by an employee or team to attract a bonus payment at the discretion of the CEO.

The Board approves Strategic Plans and Business Plans (1 year and 3 years), identifying the Key Performance Indicators for The Mutual Bank. The Board assesses and articulates the key risks of The Mutual Bank 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 Bank.

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 Bank does not have a long-term incentive scheme. The Board Remuneration and Nomination Committee, considers the longer-term performance of The Mutual Bank 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 2021.

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 2021 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.

64 persons received a variable remuneration award during the financial year to the total value of \$83,750. One of those persons was a senior manager.

No guaranteed bonuses were awarded during financial year.

No sign on awards were awarded during the financial year.

One senior manager received a termination payment during the financial year to the value of \$160,746.

There is no outstanding deferred remuneration.

Total value of remuneration awards for senior managers	Unrestricted \$	Deferred \$
Fixed remuneration:		
Cash based	1,888,863	Nil
Shares and share-linked instruments	Nil	Nil
Other	Nil	Nil
Variable remuneration:		
Cash based	2,000	Nil
Shares and share-linked instruments	Nil	Nil
Other	Nil	Nil

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