Maitland Mutual Limited ABN 94087651983 AFSL/Australian credit license 238139

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

## As at 30 September 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 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 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<br>$ 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 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 |
| | | 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 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 Sep 2019 | 30 Jun 2019 |
|---|---|---|
| **Capital requirements (in terms of risk weighted assets) for:** | | |
| Credit risk (excluding securitisation) | 305,670,570 | 306,836,690 |
| Operational risk | 30,265,553 | 30,265,553 |
| **Capital ratios as a percentage of risk weighted assets:** | | |
| Common equity Tier 1 | 14.20% | 14.04% |
| Tier 1 | 14.20% | 14.04% |
| Total capital | 15.90% | 15.17% |

## Table 4 Credit risk

| | | | | *Average exposure 3 months ended* | |
|---|---|---|---|---|---|
| | | 30 Sep 2019 | 30 Jun 2019 | *30 Sep 2019* | *30 Jun 2019* |
| **(a)** | **Major types of credit exposure:** | | | | |
| | Cash | 2,437,384 | 2,747,066 | *2,779,996* | *2,704,774* |
| | Claims on Australian Governments | 4,394,674 | 6,086,294 | *4,619,827* | *5,428,436* |
| | Claims on other ADIs | 164,241,084 | 153,788,168 | *165,410,553* | *150,821,006* |
| | Loans secured by ERMS | 549,205,087 | 548,607,861 | *551,860,236* | *539,111,909* |
| | Other loans and exposures | 89,639,864 | 92,679,811 | *89,917,184* | *95,924,747* |
| | Other assets | 10,180,417 | 7,476,192 | *8,901,245* | *6,955,990* |
| | | 820,098,509 | 811,385,393 | *823,489,040* | *800,946,863* |

Table 4 **Credit risk** continued

| | As at 30 September 2019 | | | 3 Months ended 30 Sep 2019 | |
|---|---|---|---|---|---|
| | Impaired facilities | Past due | Specific provisions | Charges against specific provisions | Bad debts written off |
| | $ | $ | $ | $ | $ |
| **(b) By portfolio** | | | | | |
| Lending to residents | | | | | |
| Owner occupied housing | - | 1,216,202 | 210,724 | - | - |
| Investor housing | - | 295,722 | - | - | - |
| Other personal loans | - | 5,960 | 4,696 | - | - |
| Private Corporations | - | - | - | - | - |
| Unincorporated businesses | - | 271,493 | 108,597 | - | - |
| | - | 1,789,377 | 324,018 | - | - |

| (c) **General reserve for credit losses** | 30 Sep 2019 | 30 Jun 2019 |
|---|---|---|
| | $ | $ |
| Closing Balance | 1,486,116 | 1,124,553 |

Table 5 **Securitisation exposures**

| | | 30 Sep 2019 | 30 Jun 2019 |
|---|---|---|---|
| | | $ | $ |
| (a) | Exposures securitised during the year | - | - |
| (b) | On-balance sheet securitisation exposures retained or purchased | - | - |
| | Off-balance sheet securitisation exposures: | | |
| | Housing loans | 7,415,905 | 7,806,506 |
| | Commercial loans | - | - |
| | | 7,415,905 | 7,806,506 |

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 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 2019, 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 |
| 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 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 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:

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