

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

As at 31 March 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 2020 \$ M	Common disclosure reference
Assets		
Cash and cash equivalents	125.110	
Placements with other financial institutions	0.000	j
Loans and advances to members	614.603	
Other receivables	0.703	
Financial assets	69.674	k
Intangible assets	0.357	f
Right of use asset	4.785	
Property, plant and equipment	24.416	
Deferred tax assets	0.516	
<i>Of which: eligible as regulatory adjustments from CET1</i>	<i>0.516</i>	e
Total assets	840.164	
Liabilities		
Deposits from other financial institutions	79.829	
Deposits due to members	688.975	
<i>Of which: instruments subject to phase out from tier 2</i>	<i>4.310</i>	h
Other borrowed funds	10.375	
Payables	1.040	
Current tax liabilities	0.005	
Provisions	1.954	
Lease Liabilities	4.905	
Total liabilities	787.083	
Net assets	53.081	
Equity		
Reserves	0.000	b
Contributed equity	4.728	c
Retained earnings	48.353	
<i>Of which: eligible for CET1</i>	<i>47.329</i>	a
<i>Of which: asset revaluation reserve</i>	<i>0.000</i>	d
<i>Of which: general provision</i>	<i>1.283</i>	i
<i>Of which: loan origination fees</i>	<i>0.117</i>	g
Total equity	53.081	

Table 1 Common disclosures

	30 June 2020 \$ M	Source in regulatory capital reconciliation
Common Equity Tier 1 capital		
Instruments and reserves		
2 Retained earnings	47.329	a
3 Accumulated other comprehensive income (and other reserves)	4.728	b + c + d
6 Common Equity Tier 1 capital before regulatory adjustments	52.057	
Regulatory adjustments		
10 Deferred tax assets that rely on future profitability excluding those assets arising from temporary differences (net of related tax liability)	0.516	e
26 National specific regulatory adjustments:		
26f Capitalised expenses	0.474	f + g
28 Total regulatory adjustments to Common Equity Tier 1	0.990	
29 Common equity Tier 1 Capital (CET1)	51.067	
45 Tier 1 capital	51.067	
Tier 2 capital		
Instruments and provisions		
46 Directly issued qualifying capital instruments subject to phase out from Tier 2	4.310	h
50 Provisions	1.283	i
51 Tier 2 capital before regulatory adjustments	5.593	
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	5.496	
59 Total capital	56.562	
60 Total risk weighted assets based on APRA standards	382.888	

30 June 2020

Capital ratios and buffers

61	Common Equity Tier 1 (as a percentage of Risk Weighted Assets)	13.34%
62	Tier 1 (as a percentage of Risk Weighted Assets)	13.34%
63	Total capital (as a percentage of Risk Weighted Assets)	14.77%
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>	<i>2.50%</i>
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	<i>Not Applicable</i>
68	Common Equity Tier 1 available to meet buffers	6.78%

30 June 2020
\$ 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)	1.283
77	Cap on inclusion of provisions in Tier 2 under standardised approach	4.379

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		
		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
16	Subsequent call dates, if applicable	Redemption at par value		
Coupons/dividends		Quarterly interest payment dates after optional call date		
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

	31 Mar 2021	31 Dec 2020
Capital requirements (in terms of risk weighted assets) for:		
Credit risk (excluding securitisation)	363,938,459	354,583,363
Operational risk	33,774,479	33,774,479
Capital ratios as a percentage of risk weighted assets:		
Common equity Tier 1	13.59%	13.53%
Tier 1	13.59%	13.53%
Total capital	14.76%	14.89%

Table 4 Credit risk

	31 Mar 2021	31 Dec 2020	<i>Average exposure 3 months ended</i>	
			<i>31 Mar 2021</i>	<i>31 Dec 2020</i>
(a) Major types of credit exposure:				
Cash	2,649,983	2,700,745	2,670,790	2,706,248
Claims on Australian Governments	12,077,173	13,564,706	12,970,240	14,562,479
Claims on other ADIs	162,908,823	154,328,304	154,791,306	162,611,975
Loans secured by ERMS	622,821,168	612,555,094	618,608,766	604,929,986
Other loans and exposures	105,968,486	98,173,263	102,151,322	96,849,551
Other assets	31,494,387	31,802,450	31,258,155	31,615,583
	937,920,019	913,124,562	922,450,578	913,275,822

Table 4 Credit risk continued

		As at 31 Mar 2021			3 Months ended 31 Mar 2021	
		Impaired facilities	Past due	Specific provisions	Charges against specific provisions	Bad debts written off
		\$	\$	\$	\$	\$
(b) By portfolio						
Lending to residents						
Owner occupied housing		380,448	380,860	-	-	-
Investor housing		-	-	-	-	-
Other personal loans		-	10,058	8,743	-	14,241
Private Corporations		-	124,942	74,965	-	-
Unincorporated businesses		-	-	-	-	-
		380,448	515,859	83,708	-	-
(c) General reserve for credit losses						
			31 Mar 2020	31 Dec 2020		
			\$	\$		
Closing Balance			436,435	1,095,982		

Table 5 Securitisation exposures

		31 Mar 2020	31 Dec 2020
		\$	\$
(a)	Exposures securitised during the year	-	-
(b)	On-balance sheet securitisation exposures retained or purchased	-	-
Off-balance sheet securitisation exposures:			
	Housing loans	4,678,408	4,959,954
	Commercial loans	-	-
		4,678,408	4,959,954

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 2020, 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 Financial Officer	1
Chief Credit Officer	1
Chief Operations Officer	1
Chief Risk Officer	1
Information Systems Manager	1
Manager – Legal and Compliance	1
Compliance Manager	1
Manager – Lending & Compliance	1
Manager – Human Resources	1
Total senior managers	10

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:

- 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 2020.

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 2020 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	2,367,672	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.