

AUSTRALIAN MUTUAL BANK

APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 June 2021

Public Disclosure requirements for all locally incorporated ADIs - ANNUAL

The following disclosures on capital and credit risks are for Australian Mutual Bank Ltd (AMBL) ABN 93 087 650 726.

Australian Mutual Bank is using the post 1 January 2018 common disclosure template because it is fully applying the Basel 111 regulatory adjustments as implemented by APRA.

The information in this report is prepared quarterly based on the financial records. The financial records are not audited for the quarters ended 30 September, 31 December and 31 March.

The report for 30 June 2021 is based on the financial statements as audited as at the 30 June 2021.

The consolidated entity comprises Australian Mutual Bank Ltd and the SCU Trust No. 1 (the Trust).

Glossary of terms used in this guide are:

- 'AT1' refers to Additional Tier 1 Capital
- The 'Basel II framework' refers to the document International Convergence of Capital Measurement and Capital Standards: A Revised Framework, Comprehensive Version, June 2006, published by the Basel Committee on Banking Supervision (the Basel Committee);
- 'Basel III' refers to the document Basel III: A global regulatory framework for more resilient banks and banking systems, revised version, June 2011 published by the Basel Committee;
- 'CET1' refers to Common Equity Tier 1 Capital;
- 'T1' refers to Tier 1 Capital; and
- 'T2' refers to Tier 2 Capital.

The capital terms are further defined in APRA Prudential Standard APS 110.

Capital Base

The details of the components of the capital base are set out below as at the financial year ended 30 June 2021. These amounts coincide with the audited accounts.

The following Common Disclosure Table sets out the elements of the capital held by Australian Mutual Bank including the reconciliation of any adjustments required by APRA Prudential Standards to the audited financial statements. Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets), and/or discounts made to eligible capital of a short term nature.

All regulatory capital elements are consistent with the audited financial statements as at the last reporting date.

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Common Disclosure Table

		30 June 2021	31 March 2021
		\$'000	\$'000
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	0	0
2	Retained earnings	152,524	152,837
3	Accumulated other comprehensive income (and other reserves)	24,774	24,522
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	0	0
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0	0
6	Common Equity Tier 1 capital before regulatory adjustments	177,298	177,359
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0	0
8	Goodwill (net of related tax liability)	0	0
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	743	607
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
11	Cash-flow hedge reserve	0	0
12	Shortfall of provisions to expected losses	0	0
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	0	0
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0	0
15	Defined benefit superannuation fund net assets	0	0
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0	0
17	Reciprocal cross-holdings in common equity	0	0
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	6,714	7,059
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions		

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	(amount above 10% threshold)	0	0
20	Mortgage service rights (amount above 10% threshold)	0	0
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0	0
22	Amount exceeding the 15% threshold	0	0
23	of which: significant investments in the ordinary shares of financial entities	0	0
24	of which: mortgage servicing rights	0	0
25	of which: deferred tax assets arising from temporary differences	0	0
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	3,584	4,093
26a	of which: treasury shares	0	0
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	0	0
26c	of which: deferred fee income	0	0
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	0	0
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	0	0
26f	of which: capitalised expenses	67	0
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	3,517	4,093
26h	of which: covered bonds in excess of asset cover in pools	0	0
26i	of which: undercapitalisation of a non-consolidated subsidiary	0	0
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	0	0
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0	0
28	Total regulatory adjustments to Common Equity Tier 1	11,041	11,759
29	Common Equity Tier 1 Capital (CET1)	166,257	165,600
	Additional Tier 1 Capital Instruments		
30	Directly issued qualifying Additional Tier 1 instruments	0	0
31	of which: classified as equity under applicable accounting standards	0	0
32	of which: classified as liabilities under applicable accounting standards	0	0
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0	0
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third		

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	parties (amount allowed in group AT1)	0	0
35	of which: instruments issued by subsidiaries subject to phase out	0	0
36	Additional Tier 1 Capital before regulatory adjustments	0	0
	Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	0	0
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0	0
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	0	0
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0	0
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	0	0
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	0	0
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	0	0
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	0	0
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0	0
43	Total regulatory adjustments to Additional Tier 1 capital	0	0
44	Additional Tier 1 capital (AT1)	0	0
45	Tier 1 Capital (T1=CET1+AT1)	166,257	165,600
	Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	0	0
47	Directly issued capital instruments subject to phase out from Tier 2	0	0
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	0	0
49	of which: instruments issued by subsidiaries subject to phase out	0	0
50	Provisions	4,187	4,232
51	Tier 2 Capital before regulatory adjustments	4,187	4,232
	Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	0	0
53	Reciprocal cross-holdings in Tier 2 instruments		

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54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than the 10% of the issued share capital (amount above 10% threshold)	0	0
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	0	0
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	0	0
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	0	0
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	0	0
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	0	0
57	Total regulatory adjustments to Tier 2 capital	0	0
58	Tier 2 capital (T2)	4,187	4,232
59	Total capital (TC=T1+T2)	170,444	169,832
60	Total risk-weighted assets based on APRA standards	824,712	808,536
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	20.16%	20.48%
62	Tier 1 (as a percentage of risk-weighted assets)	20.16%	20.48%
63	Total capital (as a percentage of risk-weighted assets)	20.67%	21.00%
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.00%	7.00%
65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: ADI-specific countercyclical buffer requirements	N/A	N/A
67	of which: G-SIB buffer requirement (not applicable)	N/A	N/A
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	13.16%	13.48%
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	N/A	N/A
70	National Tier 1 minimum ratio (if different from Basel III minimum)	N/A	N/A
71	National total capital minimum ratio (if different from Basel III minimum)	N/A	N/A
	Amount below thresholds for deductions (not risk-weighted)		
72	Non-significant investments in the capital of other financial entities	0	0
73	Significant investments in the ordinary shares of financial		

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	entities	0	0
74	Mortgage servicing rights (net of related tax liability)	0	0
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0	0
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)	4,187	4,232
77	Cap on inclusion of provisions in Tier 2 under standardised approach	9,273	9,175
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	0	0
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	0	0
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	0
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	0
82	Current cap on AT1 instruments subject to phase out arrangements	0	0
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	0	0
84	Current cap on T2 instruments subject to phase out arrangements	0	0
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	0

Regulatory Capital Reconciliation

The following tables are a reconciliation of the Regulatory Capital of Australian Mutual Bank to the Consolidated Statement of Financial Position as published in the Financial Statements.

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Line Number per Table Common Disclosure Template		Balance Sheet per published Audited Financial Statements 30 June 2021 \$'000	Regulatory Adjustments 30 June 2021 \$'000	Balance Sheet under Regulatory Scope of Consolidation 30 June 2021 \$'000
	ASSETS			
	Cash and cash equivalents	15,928	-	15,928
	Receivables	2,931	-	2,931
	Prepayments	602	-	602
	Loans and advances to members	1,158,958	-	1,158,958
	Less: Provision for impaired loans	(5,287)	-	(5,287)
50	Less: Stage 1 ECL (GRCL)	-	4,187	4,187
	Receivables due from other financial institutions	158,159	-	158,159
	Investment securities	356,361	-	356,361
18	Equity securities with other ADIs	6,714	-	6,714
26g	Equity securities with commercial (non-financial) entities	3,517	-	3,517
	Property, plant and equipment	24,928	-	24,928
	Right-of-use asset	2,312	-	2,312
	Taxation assets	275	-	275
9	Intangible assets	743	-	743
2	Unamortised loan origination and transaction costs	-	173	173
	Total Assets	1,726,141	4,360	1,730,501
	LIABILITIES			
	Lease liabilities	3,519	-	3,519
	Borrowings	36,451	-	36,451
	Deposits from members	1,487,694	-	1,487,694
	Creditor accruals and settlement	12,392	-	12,392
	Deferred tax liabilities	1,281	-	1,281
	Provisions	7,454	-	7,454
	Income tax liabilities	225	-	225
	Total Liabilities	1,549,016	-	1,549,016
	Net Assets	177,125	4,360	181,485
	MEMBERS' EQUITY			
3	Capital reserve account	1,454	-	1,454
3	Asset revaluation reserve	9,279	-	9,279
50	General reserve for credit losses	-	4,187	4,187
3	General reserve	14,041	-	14,041
2	Transfer of business reserve	86,648	-	86,648
2	Retained earnings	65,703	-	65,703
2	Unamortised loan origination and transaction costs	-	173	173
	Total Members' Equity	177,125	4,360	181,485

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Retained earnings	30 June 2021 \$'000	Line Number per Table Common Disclosure Template
Retained earnings as per statutory accounts	65,703	
Transfer of Business Reserve as per statutory accounts	86,648	
Deferred Loan Fees	173	
Retained Earnings as per Common Disclosure Template	152,524	2
Capital Reserve Account	1,454	3
Property Revaluation Reserve	9,279	3
General reserve	14,041	3
Common Equity Tier 1 (CET1) Capital	177,298	6
Total regulatory adjustments to Common Equity Tier 1 Capital (CET1)	(11,041)	28
Common Equity Tier 1 Capital	166,257	29
Tier 2 capital: instruments and provisions		
Provisions - Stage 1 ECL (GRCL)	4,187	50
Total Capital T1 + T2	170,444	59

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Capital Instruments within the ADI

The regulatory capital in the Mutual Bank comprises:

- Retained Earnings
- General Reserve for Credit Losses
- Capital Reserve Account
- Asset Revaluation Reserve

There are no capital instruments (shares, debt instruments) issued by the ADI.

Capital Requirements

Capital requirements for Australian Mutual Bank are determined by the risk weights of the relevant assets held, with the minimum required capital to over 8% of risk-weighted assets. Australian Mutual Bank maintains a capital policy level of a capital target of 14.50%. The current level of capital as at 30 June 2021 is 20.67%.

The risk-weighted assets for each asset grouping as set out in the table below is determined by APRA Prudential Standard APS 112. These are prescribed risk weights to measure the level of risk based on the nature and level of security supporting the assets recovery.

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	Prescribed	
	Risk Weighted Assets \$'000	
	31-Jun-2021	31-Mar-2021
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;		
• Cash	0	0
• Liquid investments	230,555	217,941
• Loans - secured by residential mortgage	398,410	399,849
• Loans - other retail	48,955	49,695
• Loans - corporate	2,879	2,686
• all other assets	30,128	32,437
Total credit risk on balance sheet	710,927	702,608
Total credit risk off balance sheet (commitments)		
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	30,877	31,359
Capital requirements for securitisation	0	0
(b) Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).	0	
(c) Capital requirements for market risk	0	0
(d) Capital requirements for operational risk	82,908	74,569
(e) Capital requirements (in terms of risk-weighted assets) for interest rate risk in the banking book (IRRBB) (IRB/AMA approved Australian-owned ADIs only).	0	0
Total Risk Weighted Assets	824,712	808,536

Capital Held by the ADI

The capital held by Australian Mutual Bank exceeds the policy and minimum capital prescribed by APRA Prudential standards. The excess may facilitate future growth for Australian Mutual Bank. The capital ratio is the amount of capital divided by total risk weighted assets.

	Capital \$'000		Capital %	
	31-Jun-2021	31-Mar-2021	31-Jun-2021	31-Mar-2021
(f) Common Equity Tier 1	166,257	165,600	20.16%	20.48%
Tier 1	166,257	165,600	20.16%	20.48%
Total Capital	170,444	169,832	20.67%	21.00%

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Credit Risk

(A) Credit Risk - Investments

Surplus cash not invested in loans to members are held in high quality liquid assets (HQLA) or other investments according to Australian Mutual Bank's Liquidity Policy. This includes the funds required to be held to meet withdrawal of deposits by members.

Australian Mutual Bank uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA prudential Guidance in APS112. The credit quality assessment scale within this standard has been complied with.

30 June 2021						
	Rating of investment issuers***	No. of issuers	Carrying Value \$'000	Past Due Value	Provision	Average Gross Exposure in the Quarter \$'000
Short-Term (Original Tenor of 1yr or less)	A1+ or A1 (or equivalent)	5	59,648	0		67,867
	A2 (or equivalent)	13	194,902	0		178,381
	A3 (or equivalent)	0	0	0		0
	B (or equivalent) and below	0	0	0		0
	Unrated Mutual Bank / ADIs - ST	10	63,562	0		55,077
Long-Term (Original Tenor > 1yr)	AAA to AA- (or equivalent)	2	34,350	0		34,794
	A+ to A- (or equivalent)	17	127,306	0		126,398
	BBB+ to BBB- (or equivalent)	11	51,094	0		51,608
	BB+ (or equivalent) and below	0	0	0		0
	Unrated Mutual Bank / ADIs - LT	0	0	0		0
	Total	58	530,862	0	0	514,125
*** Where a single issuer has multiple credit ratings assigned by more than one rating agencies, the entity is assigned to the corresponding rating band in accordance to its lowest credit rating.						

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31 March 2021						
	Rating of investment issuers***	No. of issuers	Carrying Value \$'000	Past Due Value	Provision	Average Gross Exposure in the Quarter \$'000
Short-Term (Original Tenor of 1yr or less)	A1+ or A1 (or equivalent)	7	76,086	0		78,703
	A2 (or equivalent)	12	161,860	0		165,566
	A3 (or equivalent)	0	0	0		0
	B (or equivalent) and below	0	0	0		0
	Unrated Mutual Bank / ADIs - ST	10	46,592	0		48,589
Long-Term (Original Tenor > 1yr)	AAA to AA- (or equivalent)	2	35,239	0		38,140
	A+ to A- (or equivalent)	17	125,491	0		126,351
	BBB+ to BBB- (or equivalent)	11	52,121	0		52,985
	BB+ (or equivalent) and below	0	0	0		0
	Unrated Mutual Bank / ADIs - LT	0	0	0		0
	Total	59	497,389	0	0	510,334

*** Where a single issuer has multiple credit ratings assigned by more than one rating agencies, the entity is assigned to the corresponding rating band in accordance to its lowest credit rating.

(B) Credit Risk - Loans

The classes of loans entered into are limited to loans, commitments and other non-market off-balance sheet exposures. Australian Mutual Bank does not enter into debt securities and over-the-counter derivatives.

Impairment details

The level of impaired loans by class of loan is set out below. In the note below:

- Carrying Value is the amount of the balance sheet gross of provision (net of deferred fees).
- Past due loans is the 'on balance sheet' loan balances which are behind in repayments past due by 90 days or more but not impaired.
- Impaired loans are the 'on balance sheet' loan balances which are at risk of not meeting all principle and interest repayments over time.
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans.
- The losses in the period equate to the additional provisions set aside for impaired loans, and bad debts written off in excess of previous provision allowances.

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Credit Risk

Loans (Continued)

The impaired loans are generally not secured against residential property. Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and their condition.

30 June 2021							
Loans Portfolio	Gross exposure value-Average for the period	Carrying value on Statement of Financial Position	Commitments (redraws, credit facilities undrawn)	Past Due facilities	Impaired Facilities	Specific Provision as at end of quarter	Increase in specific provision and write-offs in quarter
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	1,250,231	1,112,536	132,285	801	0	0	(36)
Personal	37,915	29,335	7,438	0	629	462	115
Overdrafts & Credit cards	51,606	13,116	38,320	0	349	248	41
Corporate borrowers	8,760	3,971	4,905	0	0	0	0
Total	1,348,512	1,158,958	182,948	801	978	710	120

31 March 2021							
Loans Portfolio	Gross exposure value-Average for the period	Carrying value on Statement of Financial Position	Commitments (redraws, credit facilities undrawn)	Past Due facilities	Impaired Facilities	Specific Provision as at end of quarter	Increase in specific provision and write-offs in quarter
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Mortgage secured	1,256,890	1,118,120	137,521	763	0	36	36
Personal	39,537	31,015	8,042	0	615	456	71
Overdrafts & Credit cards	52,470	13,095	38,681	0	283	223	19
Corporate borrowers	8,466	3,821	4,823	0	0	0	0
Total	1,357,363	1,166,051	189,067	763	898	715	126

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General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in loans and investments. In addition to the above provision for impairment, the Board has recognised the need to make an allocation to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future, and the risk of loss on investments and other assets.

	30 June 2021	31 March 2021
	\$'000	\$'000
General Reserve for credit losses	4,187	4,232

Securitisation Exposures

Australian Mutual Bank has entered into a self securitisation arrangement for the purpose of meeting APRA's liquidity requirement. The table below states the current value of securitised loans managed by Australian Mutual Bank and the amount securitised in the past quarter ended 30 June 2021.

30 June 2021			
	Loans Securitised in Current quarter, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	\$'000	Aggregate amount \$'000	Aggregate amount \$'000
Mortgage secured	-	368,766	2,535
Personal	-	-	-
Overdrafts & Credit cards	-	-	-
Corporate	-	-	-
Total	-	368,766	2,535

The recognised gain or loss on securitised arrangements entered into in the past quarter is \$ Nil.

31 March 2021			
	Loans Securitised in Current quarter, by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	\$'000	Aggregate amount \$'000	Aggregate amount \$'000
Mortgage secured	-	395,541	2,566
Personal	-	-	-
Overdrafts & Credit cards	-	-	-
Corporate	-	-	-
Total	-	395,541	2,566

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The recognised gain or loss on securitised arrangements entered into in the past quarter is \$ Nil.

On-statement of financial position – The Bank has established an internal securitisation of residential mortgages, linked to a repurchase agreement facility with the Reserve Bank of Australia, as a liquidity contingency. The Bank has not derecognised these loans from the statement of financial position and does not qualify for capital relief under APS 120 Securitisation.