

community **mutual** ltd.

prudential disclosure document

ABN 21 087 650 360 • **As at March 2015**

the
community **mutual**
group



Hunter Mutual . New England Mutual . Orana Mutual

Introduction

In accordance with Australian Prudential Standard APS 330, locally incorporated ADI's using the standardised approach under the Basel III regulatory regime such as Community Mutual Ltd (CMG) are required to disclose information about their Capital, Capital Instruments, Credit Risk exposure and Remuneration.

The frequency and timing of CMG's disclosure's as required under the Prudential Standard APS 330 Public Disclosure are:

Table	Frequency of Disclosure
Table 1: Composition of Capital	Annual
Regulatory Capital reconciliation	Annual
Table 2: Main features of Capital Instruments	Continuously
Table 3: Capital Adequacy	Quarterly
Table 4: Credit Risk	Quarterly
Table 5: Securitisation	Quarterly
Table 18: Remuneration	Annual

Capital Management

CMG maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the CMG's capital is monitored using, among other measures, the rules and ratios established by the Australian Prudential Regulation Authority.

CMG has complied in full with all its externally imposed capital requirements. The primary objectives of CMG's capital management are to ensure that the business complies with externally imposed capital requirements and that CMG maintains healthy capital ratios in order to support its activities.

For the purposes of Capital disclosures CMG is using the post 1 January 2018 common disclosure template because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

TABLE 1 Composition of Capital		as at 30 June 2014	Reference to reconciliation
Common Equity Tier 1 Capital: instruments and reserves		000's	
1	Directly issued qualifying ordinary shares (and equivalent for mutually owned entities) capital	630	
2	Retained Earnings	82,146	
3	Accumulated other comprehensive income (and other reserves)	823	
4	<i>Directly issued capital subject to phase-out from CET1 (only applicable to mutually owned companies)</i>	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	83,599	(a) + (b)
Common Equity Tier 1 Capital: Regulatory adjustments		000's	
7	Prudential valuation adjustments	-	
8	Goodwill (Net of related tax liability)	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	560	(c)
10	Deferred Tax Assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,826	(d)
11	Cash Flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
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)	314	(e)
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 (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding 15% threshold	-	
23	of which: significant investments of the ordinary shares of financial entities	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i, 26j)	-	
26a	of which: treasury shares	-	
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	-	
26c	of which: deferred fee income	-	
26d	of which: equity investments in financial institutions not reported in rows 18, 19, 23	-	
26e	of which: deferred tax assets not reported in rows 10, 21, 25	-	
26f	of which: capitalised expenses	-	
26g	of which: investments in commercial (non financial) entities that are deducted under APRA rules	-	
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	-	
27	Regulatory adjustments applied to common equity Tier 1 due to insufficient additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory Adjustments to Common Equity Tier 1	2,700	
29	Common Equity Tier 1 Capital (CET1)	80,900	

	as at 30 June 2014	Reference to reconciliation
Additional Tier 1 Capital: Instruments		
	000's	
30	-	
31	-	
32	-	
33	10,366	
34	-	
36	10,366	
Additional Tier 1 Capital: Regulatory adjustments		
37	-	
38	-	
39	-	
40	-	
41	-	
41a	-	
41b	-	
41c	-	
42	(1,460)	(f)
43	(1,460)	
44	8,906	
45	89,806	
Tier 2 Capital: Instruments and Provisions		
	000's	
46	-	
47	4,514	
48	-	
49	-	
50	2,744	(b)
51	7,258	
Tier 2 Capital: Regulatory Adjustments		
52	-	
53	-	
54	-	
55	-	
56	-	
56a	-	
56b	-	
56c	-	
57	-	
58	7,258	

		as at 30 June 2014	Reference to reconciliation
59	Total Capital (TC = T1 + T2)	97,064	
60	Total Risk Weighted Assets based on APRA standards	560,414	
Capital Ratios and Buffers			
61	Common Equity Tier 1 as a percentage of Risk Weighted Assets	14.44%	
62	Tier 1 (as a percentage of Risk Weighted Assets)	16.02%	
63	Total Capital (as a percentage of Risk Weighted Assets)	17.32%	
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of Risk Weighted Assets)	7.00%	
65	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0.00%	
67	<i>of which: G-SIB buffer requirement</i>	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of Risk Weighted Assets)	9.41%	
National Minima (if different from Basel III)			
		000's	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National Total Capital minimum ratio (if different from Basel III minimum)	-	
Amount below thresholds for deductions (not Risk Weighted)			
		000's	
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	-	
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2			
		000's	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2,744	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	7,005	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (Prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
Capital instruments subject to phaseout arrangements (only applicable between 1st Jan 2018 and 1st Jan 2022)			
		000's	
80	Current cap on CET1 instruments subject to phaseout arrangements	11,662	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phaseout arrangements	-	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	5,078	
84	Current cap on T2 instruments subject to phaseout arrangements	-	
85	Amount excluded from T2 due to cap excess over cap	-	

Regulatory Capital Reconciliation		as at 30-June-2014		
	Balance Sheet per Audited Financial Statements \$'000	Adjustments \$'000	Balance Sheet Under Regulatory Scope of Consolidation \$'000	Reference
ASSETS				
Cash and cash equivalents	88,590	-	88,590	
Due from other financial institutions	6,000	-	6,000	
Trade and other receivables	6,002	-	6,002	
Loans and advances to members	821,208	-	821,208	
Less: Provision	(1,968)	(110)	(2,078)	(a)
Less: General Reserve for Credit Losses	-	(2,744)	(2,744)	(b)
Financial assets - available-for-sale	314	-	314	(e)
Financial assets - held-to-maturity	98,600	-	98,600	
Property, plant and equipment	6,794	-	6,794	
Intangible assets	431	-	431	(c)
Deferred tax assets	1,826	-	1,826	(d)
Loss reserve loan	1,460	-	1,460	(f)
Total Assets	1,029,257	(2,854)	1,026,403	
LIABILITIES				
Deposits	900,154	-	900,154	
Trade and other payables	19,904	-	19,904	
Current tax liabilities	1,062	-	1,062	
Deferred tax liabilities	-	-	-	
Provisions	2,848	-	2,848	
Lease liabilities	364	-	364	
Subordinated debt	3,945	-	3,945	(c)
Total Liabilities	928,277	-	928,277	
Net Assets	100,980	(2,854)	98,126	
EQUITY				
Preference shares	14,527	-	14,527	
Redeemable member shares	630	-	630	
Reserves	824	-	824	
Retained earnings	76,548	(110)	76,438	(a)
Contributed equity	8,451	-	8,451	
Transfer of General Reserve for Credit Losses	-	(2,744)	(2,744)	(b)
Total Equity	100,980	(2,854)	98,126	

TABLE 2: Capital Instruments

	Main Features	Instrument 1	Instrument 2
1	Issuer	Australian Mutual T1 Capital Funding Trust No.1	Australian Mutual Investment Trust
2	Unique identifier (eg. CUSIP, ISIN or Bloomberg identifier for private placement)	N/a	N/a
3	Governing law(s) of the instrument	NSW Australia	NSW Australia
	<i>Regulatory Treatment</i>		
4	Transitional Basel III rules	Additional Tier 1 Capital	Tier 2 Capital
5	Post-transitional Basel III rules	Non-eligible Capital	Non-eligible Capital
6	Eligible as solo/group/group and solo	N/a	N/a
7	Instrument Type (ordinary shares/preference shares/subordinated notes/other)	Preference Shares	Term Unsecured Subordinated Debt Instrument
8	Amount recognised in regulatory capital (currency in mil, as of most recent reporting date)	\$10.01 mill	\$2.8 mill
9	Par Value of instrument	\$14.6 mill	\$4.0 mill
10	Accounting classification	Preference Shares	Subordinated Debt
11	Original date of issuance	26-Jun-06	9-Nov-12
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/a	9-Nov-22
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	On any Dividend payment date following 10th anniversary, redmption of all, or some of the amount with a minimum and multiples of AUD\$100,000	On any Interest payment date following 5th anniversary, redmption of all, or some of the debt with a minimum and multiples of AUD\$100,000
16	Subsequent call dates if applicable	As above	As above
	<i>Coupons/Dividends</i>		
17	Fixed or floating Dividend/Coupon	Floating	Floating
18	Coupon Rate and any related index	AUD BBSR + 299bps	AUD BBSW + 593 bps
19	Existence of a Dividend stopper	N/a	N/a
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	10th Anniversary + 1.0%	No
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	Non convertible	Non convertible
24	If convertible, conversion trigger(s)	N/a	N/a
25	If convertible, fully or partially	N/a	N/a
26	If convertible, conversion rate	N/a	N/a
27	If convertible, mandatory or optional conversion	N/a	N/a
28	If convertible, specify instrument type convertible into	N/a	N/a
29	If convertible, specify issuer of instrument it converts into	N/a	N/a
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	N/a	N/a
32	If write-down, full or partial	N/a	N/a
33	If write-down, permanent or temporary	N/a	N/a
34	If temporary write-down, description of write-up mechanism	N/a	N/a
35	Position in subordination heirarchy in liquidation (specify instrument type immediately senior to instrument)	Member Shares	Subordinated
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non compliant features	No write down or convertible feature	No write down or convertible feature

TABLE 3: Capital Adequacy	31 Mar 2015 000's	31 Dec 2014 000's
Capital requirements (in terms of risk weighted assets) for :		
Credit Risk		
Residential Mortgages	287,210	282,466
Other Retail Loans	37,518	35,636
Corporate Loans	96,330	95,016
Funds Deposited with ADI's	32,583	39,322
Government Securitisation		
Fixed Assets	7,249	6,994
Other Assets	63,725	58,947
Total Credit Risk	<u>524,615</u>	<u>518,381</u>
Market risk	-	-
Operational risk	54,424	54,424
Total Assessed Risk	<u>579,039</u>	<u>572,805</u>
Common Equity Tier 1	14.58%	14.52%
Tier 1	15.89%	16.08%
Total Capital	17.05%	17.28%

TABLE 4: Credit Risk March Quarter

31 Mar 2015
000's

Qtr Average
000's

Total Gross Credit Risk exposures, plus average gross exposure over the period, broken down by;

Cash and cash equivalents	208,459	210,670
Trade and other receivables	11,525	11,185
Loans and advances to members		
Personal Loans	71,885	71,716
Mortgage Loans	666,304	658,532
Commercial Loans	87,002	86,350
Revolving Credit	25,663	25,684
Available for sale investments	314	314
Property, plant and equipment	6,737	6,612
Intangible assets	512	510
Deferred tax assets	2,075	2,075
Loss reserve loan	1,460	1,460
	1,081,936	1,075,108

Claims secured by residential mortgage	698,514	691,688
Other retail	97,548	97,400
Corporate (excluding secured by residential mortgage)	54,791	53,194
	850,854	842,282

By portfolio:

	Mar 15				
	Impaired	Past	Specific		Write
	Facilities	Due	Provision	Charges	Offs
	\$'000	\$'000	\$'000	\$'000	\$'000
Claims secured by residential mortgage	1,954	3,263	409	0	0
Other retail	167	2,783	0	0	233
Corporate	0	0	0	0	0
Bank	0	0	0	0	0
Government	0	0	0	0	0
All other	0	0	0	0	0
Total	2,121	6,045	409	0	233

The General Reserve for Credit Losses

2,779



TABLE 4: Credit Risk December Quarter

31 Dec 14
000's

Qtr Average
000's

Total Gross Credit Risk exposures, plus average gross exposure over the period, broken down by;

Cash and cash equivalents	212,882	210,904
Trade and other receivables	10,845	9,588
Loans and advances to members		
Personal Loans	71,546	71,477
Mortgage Loans	650,761	646,458
Commercial Loans	85,697	85,270
Revolving Credit	25,706	25,857
Available for sale investments	314	314
Property, plant and equipment	6,486	6,559
Intangible assets	508	434
Deferred tax assets	2,075	2,075
Loss reserve loan	1,460	1,460
	1,068,280	1,060,398

Claims secured by residential mortgage (reflect to the database)	684,861	680,340
Other retail	97,252	97,334
Corporate (excluding secured by residential mortgage)	51,597	51,389
	833,709	829,063

By portfolio:

	Dec 14				
	Impaired	Past	Specific		Write
	Facilities	Due	Provision	Charges	Offs
	\$'000	\$'000	\$'000	\$'000	\$'000
Claims secured by residential mortgage	1,298	2,661	837	0	0
Other retail	1,047	3,319	98	0	291
Corporate	0	0	71	0	0
Bank	0	0	0	0	0
Government	0	0	0	0	0
All other	0	0	0	0	0
Total	2,345	5,980	1,005	0	291

The General Reserve for Credit Losses

2,377



TABLE 5: Securitisation exposures	March 000's	December 000's
Loans Securitised during the quarter	0	0
On-Balance Sheet Securitisation Exposures		
Claims secured by residential mortgage	33,744	37,006
Off-Balance Sheet Securitisation Exposures		
Claims secured by residential mortgage	1,972	2,189
Total	35,716	39,195

TABLE 18: Remuneration Disclosure requirements

CMG's Board Corporate Governance Committee is the main body overseeing remuneration for our organisation and is comprised of members of CMG's Board of Directors. CMG uses AM Institute Annual Salary Review for the benchmarking of remuneration. The Board Corporate Governance Committee is required to review and approve CMG's Board Remuneration Policy annually. CMG's Management Remuneration Policy is to be reviewed annually by CMG's Executive Management Committee.

CMG's Board Remuneration Policy outlines executive staff that is considered as material risk takers for our business. The design and structure of CMG's remuneration process is relatively simple and is not incentive based. CMG benchmarks remuneration for material risk takers against the AM Institute Annual Salary review through the Human Resources Department. It is an independent review and recommendations are forwarded to the Remuneration Committee for endorsement. The Board and Management Remuneration Policies are reviewed annually.

CMG's remuneration process takes into account the AM Institute Annual Salary review as an industry benchmark when determine salary ranges for remuneration payments. CMG does not offer variable or deferred remuneration. All remuneration is unrestricted cash based remuneration, including superannuation payments. Remuneration for staff is determined by the relevant Executive Manager for the staff and the Remuneration Committee for endorsement of key staff. CMG's remuneration structure is solely salary based. There are no incentives factored into CMG's remuneration structure.

Remuneration progression at CMG is linked to key performance indicators for staff member, including top-level business lines and departments. These indicators are derived from departmental and organisational business plans. Remuneration amounts and adjustments are reviewed against the AM Institute Annual Salary review when determining progression for achieving performance measures.

Quantitative Disclosure

CMG's Corporate Governance Committee met on 4 occasions during the last financial year. The total remuneration paid to the members of the Corporate Governance Committee in 2013/2014 was \$204,861

- The number of persons having received a variable remuneration award during the financial year.	Nil	
- Number and total amount of guaranteed bonuses awarded during the financial year.	Nil	
- Number and total amount of sign-on awards made during the financial year.	Nil	
- Number and total amount of termination payments made during the financial year.	0	\$0
- Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	\$0	
- Total amount of deferred remuneration paid out in the financial year.	\$0	
- Breakdown of the amount of remuneration awards for the financial year in accordance with Table 18A below to show: - fixed and variable; - deferred and non-deferred; and - the different forms used (cash, shares and share-linked instruments and other forms).	See table 18A	
Quantitative information about persons' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. malus, clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:		
- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Nil	
- Total amount of reductions during the financial year due to ex pose explicit adjustments.	Nil	
- Total amount of reductions during the financial year due to ex post implicit adjustments.	Nil	

TABLE 18A: Total Remuneration rewards of Material Risk Takers

Total value of remuneration awards for the current financial year	Unrestricted	Deferred
Fixed remuneration		
- Cash-based	\$1,783,363	n/a
- Shares and share-linked instruments	n/a	n/a
- Other	\$164,961	n/a
Variable remuneration		
- Cash-based	n/a	n/a
- Shares and share-linked instruments	n/a	n/a
- Other	n/a	n/a