

community **mutual** ltd.

prudential disclosure document

ABN 21 087 650 360 • **As at December 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 2015	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	679	
2	Retained Earnings	87,728	
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	89,231	(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)	504	
10	Deferred Tax Assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	1,928	(c)
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)	626	
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	3,058	
29	Common Equity Tier 1 Capital (CET1)	86,173	

	as at 30 June 2015	Reference to reconciliation
Additional Tier 1 Capital: Instruments		
	000's	
30	-	
31	-	
32	-	
33	9,070	
34	-	
36	9,070	
Additional Tier 1 Capital: Regulatory adjustments		
37	-	
38	-	
39	-	
40	-	
41	-	
41a	-	
41b	-	
41c	-	
42	(1,460)	
43	(1,460)	
44	7,610	
45	93,783	
Tier 2 Capital: Instruments and Provisions		
	000's	
46	-	
47	3,950	
48	-	
49	-	
50	2,744	
51	6,694	
Tier 2 Capital: Regulatory Adjustments		
52	-	
53	-	
54	-	
55	-	
56	-	
56a	-	
56b	-	
56c	-	
57	-	
58	6,694	



		as at 30 June 2015	Reference to reconciliation
59	Total Capital (TC = T1 + T2)	100,477	
60	Total Risk Weighted Assets based on APRA standards	573,527	
Capital Ratios and Buffers			
61	Common Equity Tier 1 as a percentage of Risk Weighted Assets	15.03%	
62	Tier 1 (as a percentage of Risk Weighted Assets)	16.35%	
63	Total Capital (as a percentage of Risk Weighted Assets)	17.52%	
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)	9.52%	
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	(b)
77	Cap on inclusion of provisions in Tier 2 under standardised approach	7,169	
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	9,070	
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)	-	
84	Current cap on T2 instruments subject to phaseout arrangements	5,078	
85	Amount excluded from T2 due to cap excess over cap	-	

Regulatory Capital Reconciliation	as at 30-June-2015			
	Balance Sheet per Audited Financial Statements \$'000	Adjustments \$'000	Balance Sheet Under Regulatory Scope of Consolidation \$'000	Reference
ASSETS				
Cash and cash equivalents	64,429	-	64,429	
Due from other financial institutions	-	-	-	
Trade and other receivables	6,649	-	6,649	
Loans and advances to members	862,638	-	862,638	
Less: Provision	(2,190)	(326)	(2,516)	(a)
Less: General Reserve for Credit Losses	-	(2,744)	(2,744)	(b)
Financial assets - available-for-sale	625	-	625	
Financial assets - held-to-maturity	141,545	-	141,545	
Property, plant and equipment	6,737	-	6,737	
Intangible assets	429	-	429	
Deferred tax assets	1,928	104	2,032	(c)
Loss reserve loan	1,460	-	1,460	
Total Assets	1,084,250	(2,966)	1,081,284	
LIABILITIES				
Deposits	947,938	-	947,938	
Trade and other payables	21,162	-	21,162	
Current tax liabilities	1,105	-	1,105	
Deferred tax liabilities	-	104	104	(c)
Provisions	2,795	-	2,795	
Lease liabilities	214	-	214	
Subordinated debt	3,962	-	3,962	
Total Liabilities	977,176	104	977,280	
Net Assets	107,074	(3,070)	104,004	
EQUITY				
Preference shares	14,563	-	14,563	
Redeemable member shares	679	-	679	
Reserves	1,043	-	1,043	
Retained earnings	82,338	(326)	82,012	(a)
Contributed equity	8,451	-	8,451	
Transfer of General Reserve for Credit Losses	-	(2,744)	(2,744)	(b)
Total Equity	107,074	(3,070)	104,004	

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)	\$10.22 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 Dec 2015 000's	30 Sep 2015 000's
Capital requirements (in terms of risk weighted assets) for :		
Credit Risk		
Residential Mortgages	304,698	294,923
Other Retail Loans	48,006	40,828
Corporate Loans	95,235	96,318
Funds Deposited with ADI's	40,509	35,205
Government Securitisation		
Fixed Assets	6,760	6,924
Other Assets	48,903	53,712
Total Credit Risk	<u>544,111</u>	<u>527,910</u>
Market risk	-	-
Operational risk	55,848	54,908
Total Assessed Risk	<u>599,959</u>	<u>582,818</u>
Common Equity Tier 1	14.92%	15.16%
Tier 1	16.19%	16.47%
Total Capital	17.29%	17.58%

TABLE 4: Credit Risk December Quarter	31 Dec 15 000's	Qtr Average 000's
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Total Gross Credit Risk exposures, plus average gross exposure over the period, broken down by;

Cash and cash equivalents	215,954	212,983
Trade and other receivables	10,654	13,230
Loans and advances to members		
Personal Loans	69,822	69,733
Mortgage Loans	718,702	705,800
Commercial Loans	86,406	86,785
Revolving Credit	24,736	24,809
Available for sale investments	626	626
Property, plant and equipment	6,457	6,503
Intangible assets	303	339
Deferred tax assets	2,032	2,032
Loss reserve loan	1,460	1,460
	1,137,152	1,124,300

Claims secured by residential mortgage	753,061	739,160
Other retail	94,558	94,542
Corporate (excluding secured by residential mortgage)	52,047	53,425
	899,666	887,127

By portfolio:

	Dec 15				
	Impaired	Past	Specific		Write
	Facilities	Due	Provision	Charges	Offs
	\$'000	\$'000	\$'000	\$'000	\$'000
Claims secured by residential mortgage	1,551	3,050	226	0	0
Other retail	2,870	3,904	0	0	109
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	4,421	6,954	226	0	109

The General Reserve for Credit Losses	2,636
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TABLE 4: Credit Risk September Quarter 30 Sep 15
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	210,012	207,113
Trade and other receivables	15,806	12,172
Loans and advances to members		
Personal Loans	69,643	70,338
Mortgage Loans	692,899	684,993
Commercial Loans	87,164	87,943
Revolving Credit	24,883	25,340
Available for sale investments	626	625
Property, plant and equipment	6,549	6,643
Intangible assets	376	402
Deferred tax assets	2,032	2,032
Loss reserve loan	1,460	1,460
	1,111,449	1,099,061
Claims secured by residential mortgage (reflect to the database)	725,260	717,445
Other retail	94,526	95,678
Corporate (excluding secured by residential mortgage)	54,803	55,490
	874,589	868,613

By portfolio:

	Sep 15				
	Impaired Facilities	Past Due	Specific Provision	Charges	Write Offs
	\$'000	\$'000	\$'000	\$'000	\$'000
Claims secured by residential mortgage	1,533	3,302	180	0	0
Other retail	1,785	2,616	0	0	197
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	3,318	5,917	180	0	197

The General Reserve for Credit Losses 2,532

TABLE 5: Securitisation exposures	December 000's	September 000's
Loans Securitised during the quarter	0	71,581
On-Balance Sheet Securitisation Exposures		
Claims secured by residential mortgage	85,628	91,661
Off-Balance Sheet Securitisation Exposures		
Claims secured by residential mortgage	1,791	1,784
Total	87,420	93,445

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 5 occasions during the last financial year. The total remuneration paid to the members of the Corporate Governance Committee in 2014/2015 was \$232,139

- 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	\$1,900,901	n/a
- Shares and share-linked instruments	n/a	n/a
- Other	\$173,266	n/a
Variable remuneration		
- Cash-based	n/a	n/a
- Shares and share-linked instruments	n/a	n/a
- Other	n/a	n/a