

# AUSTRALIAN MUTUAL BANK

## **APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK**

**30 September 2021**

### **Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY**

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

Glossary of terms used in this guide is

- '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 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 September 2021 is 20.00%.

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.

# AUSTRALIAN MUTUAL BANK

## APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 September 2021

Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY

### Capital Requirements (Continued)

|   | Prescribed                     |             |
|---|--------------------------------|-------------|
|   | Risk Weighted Assets<br>\$'000 |             |
|   | 30-Sep-2021                    | 30-Jun-2021 |
| (a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;  |                                |             |
| • Cash  | -                              | -           |
| • Liquid investments  | 260,390                        | 230,555     |
| • Loans - secured by residential mortgage   | 391,682                        | 398,410     |
| • Loans - other retail  | 46,710                         | 48,955      |
| • Loans - corporate   | 5,837                          | 2,879       |
| • all other assets  | 30,352                         | 30,128      |
| Total credit risk on balance sheet  | 734,971                        | 710,927     |
| Total credit risk off balance sheet (commitments)   |                                |             |
| • Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)   | 32,258                         | 30,877      |
| Capital requirements for securitisation   | -                              | -           |
| (b) Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).                           | -                              | -           |
| (c) Capital requirements for market risk  | -                              | -           |
| (d) Capital requirements for operational risk   | 82,908                         | 82,908      |
| (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). | -                              | -           |
| Total Risk Weighted Assets  | 850,137                        | 824,712     |

### 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 %   |             |
|--------------------------|----------------|-------------|-------------|-------------|
|                          | 30-Sep-2021    | 30-Jun-2021 | 30-Sep-2021 | 30-Jun-2021 |
| (f) Common Equity Tier 1 | 165,748        | 166,257     | 19.50%      | 20.16%      |
| Tier 1                   | 165,748        | 166,257     | 19.50%      | 20.16%      |
| Total Capital            | 170,021        | 170,444     | 20.00%      | 20.67%      |

# AUSTRALIAN MUTUAL BANK

## APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 September 2021

### Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY

#### 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 September 2021   |                                 |                |                          |                |           |   |
|---|---------------------------------|----------------|--------------------------|----------------|-----------|---|
|   | Rating of investment issuers*** | No. of issuers | Carrying Value<br>\$'000 | Past Due Value | Provision | Average Gross Exposure in the Quarter<br>\$'000 |
| Short-Term<br>(Original Tenor of<br>1yr or less)  | A1+ or A1 (or equivalent)       | 6              | 77,002                   | -              | -         | 68,325  |
|   | A2 (or equivalent)              | 15             | 238,472                  | -              | -         | 216,687   |
|   | A3 (or equivalent)              | -              | -                        | -              | -         | -   |
|   | B (or equivalent) and below     | -              | -                        | -              | -         | -   |
|   | Unrated Mutual Bank / ADIs - ST | 9              | 54,591                   | -              | -         | 59,076  |
| Long-Term<br>(Original Tenor ><br>1yr)  | AAA to AA- (or equivalent)      | 3              | 33,978                   | -              | -         | 34,164  |
|   | A+ to A- (or equivalent)        | 17             | 133,615                  | -              | -         | 130,460   |
|   | BBB+ to BBB- (or equivalent)    | 10             | 61,486                   | -              | -         | 56,290  |
|   | BB+ (or equivalent) and below   | -              | -                        | -              | -         | -   |
|   | Unrated Mutual Bank / ADIs - LT | -              | -                        | -              | -         | -   |
|   | Total                           | 60             | 599,144                  | -              | -         | 565,002   |
| *** 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. |                                 |                |                          |                |           |   |

# AUSTRALIAN MUTUAL BANK

## APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 September 2021

### Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY

#### Credit Risk

#### Investments (Continued)

| 30 June 2021                                  |                                 |                |                          |                |           |   |
|---|---------------------------------|----------------|--------------------------|----------------|-----------|---|
|   | Rating of investment issuers*** | No. of issuers | Carrying Value<br>\$'000 | Past Due Value | Provision | Average Gross Exposure in the Quarter<br>\$'000 |
| Short-Term<br>(Original Tenor of 1yr or less) | A1+ or A1 (or equivalent)       | 5              | 59,648                   | -              | -         | 67,867  |
|   | A2 (or equivalent)              | 13             | 194,902                  | -              | -         | 178,381   |
|   | A3 (or equivalent)              | -              | -                        | -              | -         | -   |
|   | B (or equivalent) and below     | -              | -                        | -              | -         | -   |
|   | Unrated Mutual Bank / ADIs - ST | 10             | 63,562                   | -              | -         | 55,077  |
| Long-Term<br>(Original Tenor > 1yr)           | AAA to AA- (or equivalent)      | 2              | 34,350                   | -              | -         | 34,794  |
|   | A+ to A- (or equivalent)        | 17             | 127,306                  | -              | -         | 126,398   |
|   | BBB+ to BBB- (or equivalent)    | 11             | 51,094                   | -              | -         | 51,608  |
|   | BB+ (or equivalent) and below   | -              | -                        | -              | -         | -   |
|   | Unrated Mutual Bank / ADIs - LT | -              | -                        | -              | -         | -   |
|   | Total                           | 58             | 530,862                  | -              | -         | 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.

#### (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.

# AUSTRALIAN MUTUAL BANK

## APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 September 2021

### Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY

#### 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 September 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          | 1,240,393                                   | 1,098,177   | 137,787  | 1,986               | -                   | -                                       | -  |
| Personal                  | 35,450                                      | 27,486  | 6,640  | -                   | 560                 | 435                                     | 32   |
| Overdrafts & Credit cards | 51,137                                      | 11,014  | 39,824   | -                   | 251                 | 197                                     | (38)   |
| Corporate borrowers       | 10,822                                      | 8,010   | 4,759  | -                   | -                   | -                                       | -  |
| <b>Total</b>              | <b>1,337,802</b>                            | <b>1,144,687</b>                                  | <b>189,010</b>                                   | <b>1,986</b>        | <b>811</b>          | <b>632</b>                              | <b>(6)</b>   |

| 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                 | -                   | -                                       | (36)   |
| Personal                  | 37,915                                      | 29,335  | 7,438  | -                   | 629                 | 462                                     | 115  |
| Overdrafts & Credit cards | 51,606                                      | 13,116  | 38,320   | -                   | 349                 | 248                                     | 41   |
| Corporate borrowers       | 8,760                                       | 3,971   | 4,905  | -                   | -                   | -                                       | -  |
| <b>Total</b>              | <b>1,348,512</b>                            | <b>1,158,958</b>                                  | <b>182,948</b>                                   | <b>801</b>          | <b>978</b>          | <b>710</b>                              | <b>120</b>   |

# AUSTRALIAN MUTUAL BANK

## APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK

30 September 2021

### Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY

#### 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 September 2021 | 30 June 2021 |
|-----------------------------------|-------------------|--------------|
|                                   | \$'000            | \$'000       |
| General reserve for credit losses | 4,272             | 4,187        |

#### 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 September 2021.

| 30 September 2021         |  |   |   |
|---------------------------|--|---|---|
|                           | Loans Securitised in Current qtr., 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          | -  | 338,454   | 2,506   |
| Personal                  | -  | -   | -   |
| Overdrafts & Credit cards | -  | -   | -   |
| Corporate                 | -  | -   | -   |
| Total                     | -  | 338,454   | 2,506   |

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

| 30 June 2021              |  |   |   |
|---------------------------|--|---|---|
|                           | Loans Securitised in Current qtr., 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   |

# AUSTRALIAN MUTUAL BANK

## **APS 330 PRUDENTIAL DISCLOSURE – CAPITAL AND CREDIT RISK**

**30 September 2021**

### **Public Disclosure requirements for all locally incorporated ADIs - QUARTERLY**

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.