

Capital Adequacy and Risk Disclosures

Victoria Teachers Limited, trading as Victoria Teachers Mutual Bank, is the head corporate entity of the consolidated group to which this disclosed information applies.

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

Common disclosure template

As at 30 June 2015

Common Equity Tier 1 capital: instruments and reserves		A\$'000
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	
2	Retained earnings	156,313
3	Accumulated other comprehensive income (and other reserves)	2,256
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	158,569
Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3,029
11	Cash-flow hedge reserve	(1,259)
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	
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)	
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 the 15% threshold	
23	of which: significant investments in 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 and 26j)	1,285
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 and 23	666
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	
26f	of which: capitalised expenses	619

26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	
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	3,055
29	Common Equity Tier 1 Capital (CET1)	155,515
Additional Tier 1 Capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments	
31	of which: classified as equity under applicable accounting standards	
32	of which: classified as liabilities under applicable accounting standards	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	2,002
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	
36	Additional Tier 1 Capital before regulatory adjustments	2,002
Additional Tier 1 Capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	
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)	
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)	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	
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	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	
43	Total regulatory adjustments to Additional Tier 1 capital	
44	Additional Tier 1 capital (AT1)	2,002
45	Tier 1 Capital (T1=CET1+AT1)	157,517
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	800
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)	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	
50	Provisions	5,212
51	Tier 2 Capital before regulatory adjustments	6,012
Tier 2 Capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
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 10% of the issued share capital (amount above 10% threshold)	
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	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	
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	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	
57	Total regulatory adjustments to Tier 2 capital	
58	Tier 2 capital (T2)	6,012
59	Total capital (TC=T1+T2)	163,529
60	Total risk-weighted assets based on APRA standards	1,050,134

Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.81%
62	Tier 1 (as a percentage of risk-weighted assets)	15.00%
63	Total capital (as a percentage of risk-weighted assets)	15.57%
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%
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 (not applicable)</i>	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.81%
National minima (if different from Basel III)		
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)		
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		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	5,212
77	Cap on inclusion of provisions in Tier 2 under standardised approach	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	

1.2 Regulatory Capital Reconciliation to Balance Sheet

	2015 \$000's	Regulatory / Rounding Adjustments \$000's	Expanded balance sheet under regulatory scope of APS 330 for June 2015 \$000's	Template / Reconciliation Table Reference
Assets				
Financial assets:				
Cash and cash equivalents	21,918		21,918	
Trade and other receivables	3,723		3,723	
Held-to-maturity investments	409,074		409,074	
Loans and advances	1,546,178	(5,212)	1,540,966	
Other investments	666		666	Row 26d
Property, plant and equipment	36,312		36,312	
Intangible assets	1,164		1,164	
Deferred tax assets	3,681		3,681	Row 10
Prepayments	266	6	272	
<i>of which: capitalised expenses</i>			619	Row 26f
Total Assets	2,022,982	(5,206)	2,017,776	
Liabilities				
Financial liabilities:				
Loan Capital and Hybrid securities		2,902	2,902	Table A
Interest bearing loans and borrowings	0		0	
Deposits	1,833,916		1,833,916	
Trade and other payables	13,615		13,615	
Subordinated debt	2,000		2,000	Table B
<i>of which: directly issued capital instruments subject to phase out from Tier 2</i>			1,200	Row 47
Derivative financial instruments	1,862		1,862	
Income tax payable	399		399	
Provisions	3,862		3,862	
Deferred tax liabilities	651		651	Row 10
Total Liabilities	1,856,305	2,902	1,859,207	
Net Assets	166,677	(8,108)	158,569	
Equity				
Redeemable Preference Shares	2,902	(2,902)	0	Table A
Retained profits	0			
Reserves				
of which:				
<i>General Reserves</i>	155,954	359	156,313	Row 2
<i>Asset revaluation reserve</i>	3,513	2	3,515	Row 3
<i>Reserve for credit losses</i>	5,212	(5,212)	(0)	Row 50
<i>Share redemption reserve</i>	355	(355)	0	Row 2
<i>Cash flow hedge reserve</i>	(1,259)		(1,259)	Row 11, Row 3
	163,775		158,569	
Total Equity	166,677	(8,108)	158,569	

1.3 Reconciliation between detailed capital disclosures and the Regulatory Balance Sheet

Table A	\$'000	
Additional Tier 1 Capital		
Redeemable Preference Shares per Balance Sheet	2,902	
Less Regulatory adjustment Amortisation	(900)	
Total Additional Tier 1 Capital	2,002	Row 33

Table B	\$'000	
Tier 2 Capital		
Subordinated Debt per Balance Sheet	2,000	
Less Regulatory adjustment Amortisation	(1,200)	
Total Tier 2 Capital	800	Row 47

Table 2: Main features of 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)	N/A	N/A
3	Governing law(s) of the instrument NSW , Australia	NSW, Australia	NSW, Australia
4	Transitional Basel III rules	Additional Tier 1 Capital	Tier 2 Capital
5	Post-transitional Basel III rules	Ineligible	Ineligible
6	Eligible at solo/group/group & solo	N/A	N/A
7	Instruments type (ordinary shares/ preference shares/ subordinated notes/ other)	Preference Shares	Subordinated Debt
8	Amount recognised in Regulatory Capital (Currency in \$m at most recent reporting date)	\$2.0m	\$0.8m
9	Par value of instrument	\$2.9m	\$2.0m
10	Accounting classification	Preference Shares	Subordinated Debt
11	Original date of issuance	21 June 2006	9 November 2012
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	9 November 2022
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 the 10th anniversary. Redemption of all, or some of the debt with a minimum and multiples of \$100,000.	On any Dividend payment date following the 5th anniversary. Redemption of all, or some of the debt with a minimum and multiples of \$100,000.
16	Subsequent call dates, if applicable	As outlined above	As outlined above
Coupons/ dividends			
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	AUD BBSW + 299 bps	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%	No
22	Noncumulative or cumulative	Non Cumulative	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 wind up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Member Shares	Deposits
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

Remuneration Disclosures - 2015

Remuneration Committee

The Board has established a Remuneration Committee which comprises the Chair of the Board and two (2) other Directors.

The members of the Board Remuneration Committee during the year were:

- Jonathan Hutchins (Chair) – Independent Non – Executive (until May 2015)
- Bernadette Lloyd (Chair) – Independent Non-Executive (from May 2015)
- Michael Monester – Independent Non – Executive
- Greg Angelo – Independent Non – Executive (until November 2014)
- Graeme Willis – Independent Non – Executive (from May 2015)

The Board of Directors will retain overall and ultimate responsibility for remuneration and the Remuneration Committee will assist the Board by oversight, implementation and review of the remuneration policy and charter. The Remuneration Committee will make recommendations to the Board on the individual remuneration of, at a minimum, any person / s appointed as Executive Director, Chief Executive Officer (CEO) and his or her direct reports and Responsible Persons as defined in the Mutual Bank's Fit & Proper Policy (excluding Non-Executive Directors and the External Auditor). This requirement excludes administrative direct reports of executives. The Committee will recommend on the remuneration of other persons who in the Committee's view may be able to affect the financial soundness of the Mutual Bank. The Remuneration Committee is able to obtain advice from both internal and external sources to facilitate remuneration management. The Remuneration Policy and Charter were reviewed during the period with no material changes made.

The Mutual Bank's remuneration framework has been developed to provide a consistent structure to remunerate management and to assist the Mutual Bank in the attraction, retention and reward of skilled personnel, and more specifically the achievement of its Strategic Vision and business objectives. The Mutual Bank's approach to remuneration will also facilitate the capacity to compete externally and attract talent to the organisation. As is noted in the relevant table, the Mutual Bank's remuneration framework is predominantly based on a fixed remuneration structure.

The Board Remuneration Committee has reviewed the risks and remuneration structures and considers the following employees responsible persons in accordance with its remuneration policy. Material risk takers include persons for whom a significant portion of total remuneration is subject to bonus or performance based remuneration that may affect the financial soundness of the Mutual Bank. No person has been identified as a material risk taker for the period.

Responsible Persons	Number
Chief Executive Officer	1
Executive Managers	6
Manager Risk & Compliance	1
Manager Internal Audit	1
Treasurer	1

During the year, the Board Remuneration Committee met three (3) times. The remuneration paid to its members is as follows:

Remuneration of Board Remuneration Committee	Amount (\$)
5 Directors	196,915

Note: This amount is the total Director fee paid to those individuals for the period, noting that some Directors were members of the Committee for part of the reportable period. Directors are not paid separate fees for committee duties.

Variable Remuneration

The table below represents variable remuneration, guaranteed bonuses, sign on awards and severance payments during the financial year for one (1) employee. Variable remuneration is not pre-determined and is structured in a manner to encourage long term financial soundness, the Mutual Bank's risk management framework and appropriate behaviours.

Variable Remuneration	Amount (\$)
Non Discretionary Bonus	103,017
Guaranteed Bonuses	-
Sign-on award	-
Severance Payment	-
Total	103,017

Deferred Remuneration

Victoria Teachers Mutual Bank does not have any employees eligible or receiving deferred remuneration.

Remuneration – Responsible Persons

Remuneration Type	Unrestricted (\$)	Deferred (\$)	Total (\$)
Fixed Remuneration			
Package (TRP)	2,788,508	-	2,788,508
Shares & share-linked instruments	-	-	
Other	-	-	
Total	2,788,508	-	2,788,508
Variable Remuneration			
Bonus – cash	103,017	-	103,017
Shares & share-linked instruments	-	-	
Other	-	-	
Total	103,017	-	103,017