Victoria Teachers Mutual Bank
Invested in you

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

	Common Equity Tier 1 capital: instruments and reserves	A$m
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	
2	Retained earnings	
3	Accumulated other comprehensive income (and other reserves)	186.7
4	*Directly issued capital subject to phase out from CET1(only applicable to mutually-owned companies)*	
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**	**186.7**
	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)	
11	Cash-flow hedge reserve	-0.4
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)	4.8
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	0.7
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	0.6
26f	of which: capitalised expenses	3.4

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**	**4.4**
29	**Common Equity Tier 1 Capital (CET1)**	**182.3**
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	*Directly issued capital instruments subject to phase outfrom Additional Tier 1*	
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	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 Capital before regulatory adjustments**	
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)**	
45	**Tier 1 Capital (T1=CET1+AT1)**	**182.3**
Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	
47	*Directly issued capital instruments subject to phase out from Tier 2*	
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	*of which: instruments issued by subsidiaries subject to phase out*	
50	Provisions	6.9
51	**Tier 2 Capital before regulatory adjustments**	**6.9**
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)**	**6.9**
59	**Total capital (TC=T1+T2)**	**189.1**
60	**Total risk-weighted assets based on APRA standards**	**1,208.2**

	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.09%
62	Tier 1 (as a percentage of risk-weighted assets)	15.09%
63	Total capital (as a percentage of risk-weighted assets)	**15.65%**
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	*of which: capital conservation buffer requirement*	2.50%
66	*of which: ADI-specific countercyclical buffer requirements*	0.00%
67	*of which: G-SIB buffer requirement (not applicable)*	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	7.65%
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)	0.6
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)	6.9
77	Cap on inclusion of provisions in Tier 2 under standardised approach	13.5
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	*Current cap on CET1 instruments subject to phase out arrangements*	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities*	
82	*Current cap on AT1 instruments subject to phase out 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 phase out arrangements*	
85	*Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)*	

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APS 330 Public Disclosure
As at 30 June 2017

1.2 Regulatory Capital Reconciliation to Balance Sheet

			Financial Statement Balance Sheet $'M	Regulatory Adjustments	Regulatory Balance Sheet	Reference to Common disclosure template
Assets						
Financial assets:						
Cash and cash equivalents			47.19		**47.19**	
Trade and other receivables			2.53		**2.53**	
Held-to-maturity investments			370.95		**370.95**	
Loans and advances			1,852.02	(6.86)	**1,845.16**	
	of which capitalised expenses				*1.35*	Row 26f
Property, plant and equipment			35.48		**35.48**	
Deferred tax assets			2.67		**2.67**	Row 26e , 75
Other assets			9.45		**9.45**	
	of which equity investment in financial institution				*0.69*	26d
	of which intangible assets				*2.09*	26f
Income tax receivable			0.08		**0.08**	
Total Assets			**2,320.37**	**(6.86)**	**2,313.51**	
Liabilities						
Financial liabilities:						
Deposits			2,104.70		**2,104.70**	
Trade and other payables			12.83		**12.83**	
Subordinated debt			2.00		**2.00**	
Derivative financial instruments			0.57		**0.57**	
Income tax payable			-		**0.00**	
Provisions			4.72		**4.72**	
Deferred tax liabilities			2.05		**2.05**	Row 26e , 75
Total Liabilities			**2,126.86**	**0.00**	**2,126.86**	
Net Assets			**193.51**	**(6.86)**	**186.65**	
Equity						
Retained profits						
Reserves						
of which:	*General Reserves*	181.66			**181.66**	Row 3
	Asset revaluation reserve	5.35			**5.35**	Row 3
	Reserve for credit losses	6.86		(6.86)	**0.00**	Row 50 , 76
	Cash flow hedge reserve	- 0.37			**(0.37)**	Row 11, Row 3
			193.51		**186.65**	
Total Equity			**193.51**	**(6.86)**	**186.65**	

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:

- Bernadette Lloyd (Chair) – Independent Non-Executive
- Michael Monester – Independent Non – Executive
- Graeme Willis – Independent Non – Executive

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
Manager Credit	1

During the year, the Board Remuneration Committee met two (2) times. The remuneration paid to its members is as follows:

Remuneration of Board Remuneration Committee	Amount ($)
3 Directors	242,485

Note: This amount is the total Director fee paid to those individuals for the period. Directors are not paid separate fees for committee duties.

Variable Remuneration

The table below represents variable remuneration in the form of non discretionary bonuses, 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	135,765
Guaranteed Bonuses	-
Sign-on award	-
Severance Payment	-
Total	135,765

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)	3,237,005	-	3,237,005
Shares & share-linked instruments	-	-	
Other	-	-	
Total	3,237,005	-	3,237,005
Variable Remuneration			
Bonus – cash	135,765	-	135,765
Shares & share-linked instruments	-	-	
Other	-	-	
Total	135,765	-	135,765