Public disclosure of Prudential Information

As at 30 June 2018

This public disclosure is prepared for Teachers Mutual Bank Limited for the quarter ended the 30 June 2018. The nature of the operations and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the bank. It complies with prudential standard APS 330 Public Disclosure and is unaudited.

Capital management

Capital levels are managed to ensure compliance with Australian Prudential Regulation Authority (APRA) requirements. Those requirements encompass a framework of three pillars.

Pillar 1 - Minimum capital requirements, including a specific capital charge for operational risk.

Pillar 2 - Enhanced supervision of capital management including the application of an internal capital adequacy assessment process.

Pillar 3 - More extensive disclosure requirements.

Pillar 1

Capital is measured as prescribed by Australian Prudential Regulation Authority (APRA) prudential standards. These standards act to deliver capital requirements in respect of Credit risk, Market risk and Operational risk.

Credit risk

Credit risk is measured using the Standardised Approach defined in prudential standard APS112. The capital charge attached to each asset is based on weightings prescribed by APRA as detailed in the table below:

On-statement of financial position exposures	Carrying value	Risk weighting	Risk weighted amount
Cash	1,310,021	0%	-
Deposits in highly rated ADIs	458,457,648	20%	91,691,530
Deposits in less highly rated ADIs	544,626,527	50%	272,313,263
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	4,965,426,595	35%	1,737,899,308
Standard loans secured against eligible residential mortgages over 80% LVR	770,092,818	50%-75%	388,221,728
Other standard mortgage loans	23,258,810	100%	23,258,810
Non-standard mortgage loans	22,857,297	35%-100%	15,001,643
Other loans	208,446,849	0%-100%	208,344,235
Other assets	46,466,667	100%	46,466,667
Total	7,040,943,232		2,783,197,184

Non-market related Off-statement of financial position exposures	Notional principal amount	Credit conversion factor	Credit equivalent amount	Risk weighting	Risk weighted amount
Loans approved and not advanced	207,684,905	100%	207,684,905	35%-100%	98,780,443
Redraws available	423,978,513	50%	211,989,256	35%-100%	77,292,900
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	307,142,063	0%	-		-
Possible contribution to CUFSS	100,000,000	0%	-		-
Total	1,038,805,581		419,674,261		176,073,443

Market related Off-statement of financial position exposures	Notional principal amount	Credit conversion factor	Potential future exposure	Current exposure	Credit equivalent amount	Risk weighted amount
Residual maturity 1 year or less	261,200,000	0.0%	-	149,209	149,209	29,842
Residual maturity > 1 year to 5 years	277,000,000	0.5%	1,385,000	772,033	2,157,033	431,406
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	538,200,000		1,385,000	921,242	2,306,242	461,248
Total weighted credit risk exposures						2,959,731,875

Market risk

The bank is not required to allocate capital against market risk as no trading activity is undertaken and the Standardised Approach does not result in any allocation against interest rate risk in the banking book.

Operational risk

Operational risk is measured using the Standardised Approach defined in prudential standard APS114. The capital charge is based upon portfolio balances and revenue streams with scaling and risk factors applied to reflect APRA's assessment of the particular risk profiles.

Operational risk capital requirement for retail banking

	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18
Total gross outstanding loans and advances for retail banking	4,432,278,852	4,595,067,248	5,056,181,646	5,477,914,787	5,580,317,615	5,993,575,816
- multiplied by 3.5% scaling factor	155,129,760	160,827,354	176,966,358	191,727,018	195,311,117	209,775,154
- multiplied by 12% risk factor	18,615,571	19,299,282	21,235,963	23,007,242	23,437,334	25,173,018
Average of the 6 half year results = Total operational risk capital requirement for retail banking						21,794,735

Operational risk capital requirement for commercial banking

	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18
Total gross outstanding loans and advances for commercial banking	852,017,522	853,625,849	903,383,637	1,078,074,273	1,218,730,671	964,941,406
- multiplied by 3.5% scaling factor	29,820,613	29,876,905	31,618,427	37,732,600	42,655,574	33,772,949
- multiplied by 15% risk factor	4,473,092	4,481,536	4,742,764	5,659,890	6,398,336	5,065,942
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						5,136,927

Operational risk capital requirement for all other activity

	31-Dec-15	30-Jun-16	31-Dec-16	30-Jun-17	31-Dec-17	30-Jun-18
Adjusted gross income	2,835,641	3,939,191	2,694,694	4,352,198	2,997,841	4,559,025
- multiplied by 18% risk factor	510,415	709,054	485,045	783,396	539,611	820,625
Average of the 3 annual results = Total operational risk capital requirement for all other activity						1,282,715

Total operational risk capital requirement	28,214,377

RWA equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	352,679,716

Total credit and operational risk weighted	3,312,411,591

Capital resources

Common Disclosure Table

Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-
2	Retained earnings	473,779,116
3	Accumulated other comprehensive income (and other reserves)	30,090,153
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**	503,869,269

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	-
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)	-
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)	(19,172,024)
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	(5,144,839)
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(8,430,044)
26f	of which: capitalised expenses	(5,450,584)
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	(146,557)
26h	of which: covered bonds in excess of asset cover in pools	-
26i	of which: under capitalisation 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**	(19,172,024)
29	**Common Equity Tier 1 Capital (CET1)**	484,697,245

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 out from 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)**	484,697,245

Tier 2 Capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments	20,000,000
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	13,767,531
51	**Tier 2 Capital before regulatory adjustments**	33,767,531

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)**	33,767,531
59	**Total capital (TC=T1+T2)**	518,464,776
60	**Total risk-weighted assets based on APRA standards**	3,312,411,591
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.63%
62	Tier 1 (as a percentage of risk-weighted assets)	14.63%
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	-
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)	-

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)	33,767,531
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 (prior to application of cap)	-
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)	-

TMB is using the post 1 January 2018 common disclosure table because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

Regulatory Capital Reconciliation

The Parent reports to APRA on a level 1 basis. For the purpose of this reconciliation only the Parent entity statement of financial position has been reported.

Statement of financial position $'000				Common Disclosure Table Reference
Assets				
Cash on hand and deposits at call			70,884	
Receivables from financial institutions			933,510	
Derivative assets held for hedging purposes			818	
Receivables			5,080	
Prepayments			4,018	
Loans and advances to members			5,997,831	
- Loans and advances		5,992,691		
- Amortised loan origination fees		7,748		2
- Provision for impaired loans		(2,608)		
Available for sale investments			5,145	26d
Investments in controlled entities			147	26g
Property, plant and equipment			36,868	
Taxation assets			9,013	
- Deferred tax asset		8,430		26e
- Other tax debtor		583		

Intangible assets			5,451	26f
Total assets			7,068,765	
Liabilities				
Borrowings			-	
Wholesale sector funding			670,879	
Retail deposits			5,813,647	
Derivative liabilities			519	
Creditors accruals and settlement accounts			19,480	
Taxation liabilities			1,434	
Provisions			17,357	
Subordinated debt			20,064	
- Subordinated debt		20,000		46
- Accrued interest		64		
Total liabilities			6,543,380	
Net assets			525,385	
Members' equity				
Capital reserve account			746	2
General reserve for credit losses			13,768	50
Cash flow hedge reserve			298	3
Retained earnings			510,573	
- Opening net of reserve transfers		478,774		2
- Profit after income tax		31,799		3
- of which adjusted for prepaid loan expenses, deferred transaction costs and amortised fee costs	(2,006)			2, 3
Total members' equity			525,385	

Main features of capital

Common Equity Tier 1 Capital - The majority of Tier 1 capital consists of retained profits.

Tier 2 Capital - Consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA. Tier 2 capital generally comprises a reserve for credit losses.

A minimum capital ratio of 8% is required to be maintained at all times. Our policy requires reporting to the board if the capital ratio falls below 14%.

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets. The bank manages capital through reviewing the ratio monthly and monitoring major movements in asset levels. Further, a 3 year capital projection is maintained to assess how strategic decisions or trends may impact on the level of capital. A stress test based on various asset growth and profitability assumptions is conducted annually.

Pillar 2 risk capital

Pillar 2 of the Prudential Framework relates to any risk factor to which an ADI might be exposed that is not included in Pillar 1.

These risks fall into 3 categories.

- Pillar 1 risks not fully captured by the Pillar 1 process, for example credit concentration risk.
- Inherent risks not covered by Pillar 1, including:
  - interest rate risk in the banking book
  - liquidity risk
  - strategic risk
  - reputation risk
- Risks arising from external factors such as business cycles effects and the macroeconomic environment.

The bank documents, analyses and sets its own internal capital requirements to meet Pillar 2 risks.
The methodologies used to assess the required capital are a combination of quantitative and qualitative assessment and by their nature are based on a degree of collective subjective judgment of senior management and the board.

Internal capital adequacy management

The bank manages its internal capital levels for both current and future activities through a combination of committees. The outputs of the individual committees are reviewed by the board in its capacity as the primary governing body. The capital required for any change in the bank's forecasts for asset growth or unforeseen circumstances are assessed by the board. The finance department then updates the forecast capital resources models produced and the impact upon the overall capital position of the bank is reassessed.

Contingency buffer

Based on historical fluctuations in capital the bank incorporates a contingency buffer of 4% when targeting minimum levels of capital and when preparing its Capital Management Plan to cover volatility in the risks identified above.

	RWA	Minimum capital required	% Equivalent of RWA
Credit risk	2,959,731,875	236,778,550	8.00%
Operational risk	352,679,716	28,214,377	8.00%
Total	3,312,411,591	264,992,927	8.00%
Pillar 2 uplift capital		66,248,232	2.00%
ICAAP capital required		331,241,159	10.00%
Buffer for business cycle volatility		132,496,464	4.00%
Capital available for future growth and product and service development		54,727,153	1.65%
Risk-based capital ratio		518,464,776	15.65%
Common Equity Tier 1 capital ratio		484,697,245	14.63%
Tier 1 capital ratio		484,697,245	14.63%
Tier 2 capital ratio		33,767,531	1.02%

Credit risk

The credit risk of a financial institution is the risk that customers (members), financial institutions and other counterparties will be unable to meet their obligations to the institution which may result in financial losses. Credit risk arises principally from the bank's loan book and investment assets.

ADI investments

The risk of losses on ADI investments is mitigated through the application of investment limits per counterparty based upon independent ratings of counterparties and by limiting exposure to groups of counterparties within a rating band.

The exposure values associated with each credit quality step are as follows:

Investments with:	No. of institutions	Carrying value	Past due value	Provision	Average gross exposure in the quarter
ADIs-rated A-1+ to A-1 (short-term)	7	185,450,506	-	-	259,611,134
ADIs-rated A-2 or P-2 (short-term)	12	270,883,395	-	-	258,030,314
ADIs-rated A-3	3	36,754,141	-	-	32,763,257
ADIs-rated AA+ to AA- (long term)	4	235,211,973	-	-	235,223,320
ADIs-rated A+ to A- (long-term)	5	175,578,215	-	-	176,089,436
ADIs-rated BBB+ to BBB or Baa1 (long-term)	6	99,205,945	-	-	103,720,844
Total		1,003,084,175	-	-	1,065,438,305

Loans

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (loans approved but not funded, redraw facilities, undrawn overdrafts and credit cards).

	Carrying value on-statement of financial position	Commitments	Other non-market off-statement of financial position exposures	Maximum exposure	Average gross exposure in the quarter
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Housing	5,380,013	587,452	-	5,967,465	5,819,599
Personal	612,253	350,842	-	963,095	963,106
Total-natural persons	5,992,266	938,294	-	6,930,560	6,782,705
Corporate borrowers	425	512	-	937	956
Total	5,992,691	938,806	-	6,931,497	6,783,661

The commitments set out above comprise

Outstanding loan commitments	$'000
The loans approved but not funded	207,685

Loan redraw facilities	
The loan redraw facilities available	423,979

Undrawn loan facilities Loan facilities available to members for overdrafts and credit cards are as follows:	
Total value of facilities approved	403,817
Less: amount advanced	(96,675)
Net undrawn value	307,142

These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.

Total loan commitments	938,806

Impairment

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

Bad debts were written off when identified and are recognised as expenses in the statement of comprehensive income.

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans are loans and advances, including savings accounts drawn past their approved credit limit, where the recovery of all interest and principal is considered to be reasonably doubtful. Interest charged and not received on this class of loan is not recognised as revenue. APRA has made it mandatory that interest is not recognised as revenue after irregularity exceeds 90 days for a loan facility or 15 days for an over limit overdraft and credit card facility or 15 days for overdrawn savings account.

Restructured loans arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms and the revised terms are not comparable to new facilities of comparable risk. Loans, where interest has been stopped or is less than the bank's average cost of funds, are included in non-accrual loans.

The level of impaired loans by class of loan is set out below:

- Carrying value is the balance gross of provision (net of deferred fees).
- Past due loans as per APS 220 Credit Quality is the 'on-statement of financial position' loan balances which are behind in repayments by 90 days or more, well-secured and not impaired.
- Impaired loans value is the 'on-statement of financial position' loan balance and includes non-accrual loans, restructured loans and other assets acquired through security enforcement. Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans.
- The losses in the quarterly period equate to the additional provisions set aside for impaired loans and bad debts written off in excess of previous provision allowances.

	Carrying value on-statement of financial position	Value of loans that are past due	Value of loans that are impaired	Provision for impairment	Provision for impairment quarterly movement	Bad debts in the quarter
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Housing	5,380,013	1,158	16,287	936	655	-
Personal	612,253	486	3,813	1,671	379	554
Total-natural persons	5,992,266	1,644	20,100	2,607	1,034	554
Corporate borrowers	425	-	1	1	-	-
Total	5,992,691	1,644	20,101	2,608	1,034	554

The impaired loans are generally not secured against residential property. Some impaired loans are secured by mortgage 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 condition.

Reserve for credit losses

The General Reserve for Credit Losses is a reserve in respect of credit losses prudently estimated but are not certain to arise over the life of individual loan facilities provided by the Group.

A historical Probability of Default and Loss Given Default are calculated and projected over the expected life of the loan portfolio to identify Expected Losses on loan facilities. This result is compared to Expected losses that would arise should the minimum Loss Given Default levels specified by APRA under an internal ratings based approach be applied. The Reserve is set at the greater of the two calculations. The Board considers whether there are any significant environmental factors that warrant adjustment to the reserve and makes increasing adjustments should it judge it appropriate.

The amount of the reserve is currently $13,767,531.

Securitisation exposures

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. The amount of the facility is currently $757,583,820 consisting of mortgages secured loans.

Remuneration

Qualitative Disclosures

(a) Information relating to the bodies that oversee remuneration

Teachers Mutual Bank Limited (TMBL) has a Remuneration Committee that assists the Board in conducting regular reviews in relation to the bank's remuneration policy and practices. These assessments are used to make recommendations on the remuneration of the Board, Chief Executive Officer (CEO), direct reports to the CEO and other persons whose activities may in the Committee's opinion affect the financial soundness of the institution.

The CEO has the responsibility for the remuneration of the remaining employees of TMBL. The remuneration of the Board must be approved by the members in general meeting before being effective.

The Remuneration Committee comprises:

- John Kouimanos
- Linda Green
- Michelene Collopy
- William Ford

The Committee may engage independent third-party experts to advise it. The Committee has no executive powers with regard to its recommendations and does not relieve the full Board of its responsibilities for these matters.

The Remuneration Policy covers the entire organisation.

The senior management team consists of:

	Description	Number
Senior Managers	· CEO · Deputy CEO · Chief Financial Officer · Chief Risk Officer · Chief Sales and Marketing Officer · Chief Operations Officer · Chief Human Resources Officer · Chief Information Officer · Head of Product and Marketing · Head of Finance · Head of Treasury · Head of Human Resources · Head of Digital · Head of Cyber Protection · Head of Enterprise Risk · Head of Corporate Affairs · Head of IT Operations · Head of Third Party Distribution · Head of Credit Operations · Chief Internal Auditor · Head of Regulatory Services · Head of Sales and Relationships · General Manager – FMB · General Manager – UniBank	24
Material Risk Takers	Persons subject to material bonuses or performance based remuneration.	Nil

(b) Information relating to the design and structure of remuneration

The Remuneration Policy (the policy) affirms the Board's commitment to ensure that its remuneration practices enable TMBL to:

- Appropriately compensate employees for the services they provide;
- Attract and retain employees with skills required to effectively manage operations and growth;

<table>
<tr><td></td><td>processes.</td><td>

- Motivate employees to perform in the best interest of TMBL and its stakeholders; and
- Provide an appropriate level of transparency.

The policy is reviewed periodically and was last reviewed in January 2018. There have been no major changes to the policy in the past year.

Those whose primary role is risk and financial control (including risk management, compliance, internal audit and financial control) comprise of the Chief Risk Officer, Chief Financial Officer, Head of Finance, Head of Enterprise Risk, Head of Regulatory Services and the Chief Internal Auditor. They are remunerated principally by salary which is evaluated by the Remuneration Committee to ensure that the reporting obligations are not compromised by financial incentives.</td></tr>
<tr><td>(c)</td><td>Description of the ways in which current and future risks are taken into account in the remuneration processes.</td><td>

The policy seeks to ensure that quality employees are employed, retained and are remunerated in accordance with their responsibilities and experience.
The remuneration committee assesses the relevant remuneration on a case by case basis to ensure that remuneration reflects the skill and experience required to meet Board expectations and achieve its strategic objective.

Each position's key performance indicators include metrics pertaining to risk and compliance.</td></tr>
<tr><td>(d)</td><td>Description of the ways in which the ADI seeks to link performance during a performance measurement period with levels of remuneration.</td><td>

The performance of TMBL is impacted by market conditions and through adherence to bank policies that recognise the Board's risk appetite.

TMBL has not created a direct link between an individual's performance and remuneration. The Remuneration Committee takes into account a combination of factors including, financial performance in the economic environment, compliance with regulatory requirements and their member satisfaction feedback in assessing the performance of the CEO and other senior managers identified in section (a).</td></tr>
<tr><td>(e)</td><td>Description of the ways in which the ADI seeks to adjust remuneration to take account of longer-term performance.</td><td>

There is currently no mechanism to reward longer term performance. Remuneration is based on agreed salary with the senior manager. There is no deferred remuneration arranged with the managers other than the employee statutory entitlements. A redundancy or termination payment will be negotiated with each employee as required and in consultation with the Board.

The following remuneration agreements entitle staff members to redundancy or termination payments under a normal situation:

<table>
<tr><td>

- CEO/Deputy CEO</td><td>4 weeks' salary on departure for every 1 year of service</td></tr>
<tr><td>

- Chief Financial Officer
- Chief Risk Officer
- Chief Sales and Marketing Officer
- Chief Operations Officer
- Chief Human Resources Officer
- Chief Information Officer</td><td>3 weeks' salary on departure for every 1 year of service</td></tr>
<tr><td>

- Head of Product and Marketing
- Head of Finance
- Head of Treasury
- Head of Enterprise Risk
- Head of Corporate Affairs
- Head of Cyber Protection
- Head of IT Operations
- Head of Third Party Distribution
- Head of Human Resources
- Head of Digital
- Head of Credit Operations
- Chief Internal Auditor
- Head of Regulatory Services
- Head of Sales and Relationships
- General Manager – FMB</td><td>3 weeks' salary on departure for every 1 year of service to a maximum of 18 months</td></tr>
</table>
</td></tr>
</table>

		· General Manager – UniBank	
(f)	Description of the different forms of variable remuneration that the ADI utilises and the rationale for using these different forms.	Any performance bonus arrangements pertaining to sales targets, quotas or referrals are discussed at Board. Performance based components of remuneration must be designed to encourage behaviour that supports TMBL's long-term financial soundness and the Risk Management Framework. In the past year, only the Head of Third Party Distribution was paid a performance bonus of 10% of salary.	

Quantitative Disclosures

Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.	1 $393,714
The number of senior managers identified in section (a) having received a variable remuneration award during the financial year.	1
Number and total amount of guaranteed bonuses awarded during the financial year.	-
Number and total amount of sign-on awards made during the financial year.	-
Number and total amount of termination payments made during the financial year.	3 $356,129
Total amount of outstanding deferred remuneration split into cash, shares and share-linked instruments and other forms.	-
Total amount of deferred remuneration paid out in the year.	-

Senior Managers

Number of senior managers	24	Nil
Total value of remuneration awards for the current financial year	**Unrestricted**	**Deferred**
Fixed remuneration:		
Cash-based	$7,194,730	-
Shares and share-linked instruments	-	-
Other (inc fringe benefits)	$367,269	-
Variable remuneration:		
Cash-based	-	-
Shares and share-linked instruments	-	-
Other (Fringe benefits)	-	-

Material Risk Takers

Number of senior managers	-	-
Total value of remuneration awards for the current financial year	**Unrestricted**	**Deferred**
Fixed remuneration:		
Cash-based	-	-
Shares and share-linked instruments	-	-
Other (inc fringe benefits)	-	-
Variable remuneration:		
Cash-based	-	-
Shares and share-linked instruments	-	-
Other (Fringe benefits)	-	-

Main features – Floating rate subordinated notes

Disclosure Template for Main Features of Regulatory Capital Instruments		
1	Issuer	Teachers Mutual Bank Limited (TMBL)
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN - AU3FN0038105
3	Governing law(s) of the instrument	New South Wales
	Regulatory treatment	
4	Transitional Basel III rules	Not applicable
5	Post-transitional Basel III rules	Tier 2
6	Eligible at solo/group/group & solo	Solo
7	Instrument type (ordinary shares/preference shares/subordinated notes/other)	Subordinated Notes
8	Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	$20 million
9	Par value of instrument	$20 million
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	7 September 2017
12	Perpetual or dated	Dated
13	Original maturity date	7 September 2027
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Prior to the maturity date, TMBL may, with the prior written approval of APRA, redeem the notes on 7 September 2022 and every Interest Payment Date thereafter
16	Subsequent call dates, if applicable	Not applicable, refer item 15 above

	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3 month BBSW + 280 basis points paid quarterly in arrears
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Yes
31	If write-down, write-down trigger(s)	If a Non-Viability Trigger Event occurs, the Notes will be subject to write off
32	If write-down, full or partial	Can be full or partial
33	If write-down, permanent or temporary	Permanent
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	In the event of a winding-up of TMBL, the claims of Holders against TMBL in respect of the Notes rank ahead of the claims of all members of TMBL other than in their capacity as depositors, and behind the claims of unsubordinated creditors.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable