

# AUSTRALIAN MUTUAL BANK

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

**31 December 2022**

### **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 III 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 14.25%. The current level of capital as at 31 December 2022 is 21.91%.

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.

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### Capital Requirements (Continued)

	Prescribed	
	Risk Weighted Assets \$'000	
	31-Dec-22	30-Sep-22
(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;		
- Cash	0	0
- Liquid investments	194,836	182,001
- Loans - secured by residential mortgage	416,222	423,208
- Loans - other retail	47,025	48,680
- Loans - corporate	12,580	19,170
- all other assets	33,191	35,771
Total credit risk on balance sheet	703,854	708,830
Total credit risk off balance sheet (commitments)		
Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	26,270	27,937
Capital requirements for securitisation	0	0
(b) Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).	0	0
(c) Capital requirements for market risk	0	0
(d) Capital requirements for operational risk	101,744	100,386
(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).	0	0
Total Risk Weighted Assets	831,868	837,153

### 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 %	
	31-Dec-22	30-Sep-22	31-Dec-22	30-Sep-22
(f) Common Equity Tier 1	177,663	175,244	21.36%	20.93%
Tier 1	177,663	175,244	21.36%	20.93%
Total Capital	182,235	179,940	21.91%	21.49%

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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.

31 December 2022						
	Rating of investment issuers***	No. of issuers	Carrying Value \$'000	Past Due Value	Provision	Average Gross Exposure in the Quarter \$'000
Short-Term (Original Tenor of 1yr or less)	A1+ or A1 (or equivalent)	5	26,995	0	0	34,227
	A2 (or equivalent)	18	195,365	0	0	192,917
	A3 (or equivalent)	4	19,084	0	0	17,299
	B (or equivalent) and below	0	0	0	0	0
	Unrated Mutual Bank / ADIs - ST	6	25,624	0	0	26,364
Long-Term (Original Tenor > 1yr)	AAA to AA- (or equivalent)	3	41,581	0	0	40,437
	A+ to A- (or equivalent)	14	119,687	0	0	120,401
	BBB+ to BBB- (or equivalent)	11	52,150	0	0	51,385
	BB+ (or equivalent) and below	0	0	0	0	0
	Unrated Mutual Bank / ADIs - LT	0	0	0	0	0
	Total	61	480,486	0	0	483,030

\*\*\* 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.

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30 September 2022						
	Rating of investment issuers***	No. of issuers	Carrying Value \$'000	Past Due Value	Provision	Average Gross Exposure in the Quarter \$'000
Short-Term (Original Tenor of 1yr or less)	A1+ or A1 (or equivalent)	5	41,460	0	0	46,423
	A2 (or equivalent)	19	190,470	0	0	190,023
	A3 (or equivalent)	3	15,515	0	0	10,260
	B (or equivalent) and below	0	0	0	0	0
	Unrated Mutual Bank / ADIs - ST	6	27,103	0	0	24,567
Long-Term (Original Tenor > 1yr)	AAA to AA- (or equivalent)	3	39,293	0	0	42,878
	A+ to A- (or equivalent)	15	121,114	0	0	126,576
	BBB+ to BBB- (or equivalent)	10	50,619	0	0	49,195
	BB+ (or equivalent) and below	0	0	0	0	0
	Unrated Mutual Bank / ADIs - LT	0	0	0	0	0
	Total	61	485,574	0	0	489,922

\*\*\* 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.

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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.

31 December 2022							
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	1,322,789	1,186,912	121,928	1,694	0	0	-
Personal	27,867	20,852	6,974	0	227	191	4
Overdrafts & Credit cards	48,174	11,796	36,101	0	134	95	(5)
Corporate borrowers	24,208	15,133	6,298	0	6	2	3
<b>Total</b>	<b>1,423,038</b>	<b>1,234,693</b>	<b>171,301</b>	<b>1,694</b>	<b>367</b>	<b>288</b>	<b>2</b>

30 September 2022							
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	1,330,413	1,209,784	126,954	1,228	0	0	-
Personal	28,822	21,037	6,870	0	264	212	2
Overdrafts & Credit cards	48,730	11,313	37,138	0	179	112	8
Corporate borrowers	21,898	22,257	4,729	0	0	0	0
<b>Total</b>	<b>1,429,863</b>	<b>1,264,391</b>	<b>175,691</b>	<b>1,228</b>	<b>443</b>	<b>324</b>	<b>10</b>

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### 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.

	31 December 2022	30 September 2022
	\$'000	\$'000
General reserve for credit losses	4,571	4,695

### 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 31 December 2022.

31 December 2022			
	Loans Securitised in Current qtr., by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	Aggregate amount \$'000	Aggregate amount \$'000	Aggregate amount \$'000
Mortgage secured	0	456,237	1,968
Personal	0	0	0
Overdrafts & Credit cards	0	0	0
Corporate	0	0	0
Total	0	456,237	1,968

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

30 September 2022			
	Loans Securitised in Current qtr., by type of securitisation	Securitised Loans On-balance sheet exposure retained or purchased	Securitised Loans Off-balance sheet exposures
	Aggregate amount \$'000	Aggregate amount \$'000	Aggregate amount \$'000
Mortgage secured	0	481,768	1,982
Personal	0	0	0
Overdrafts & Credit cards	0	0	0
Corporate	0	0	0
Total	0	481,768	1,982

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.