Public disclosure of Prudential Information

As at 30th June 2013

This public disclosure is prepared for Teachers Mutual Bank Limited for the quarter ended the 30th June 2013.
It complies with prudential standard APS 330 Capital Adequacy: Public Disclosure of Prudential Information 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	1,289,801	0%	-
Deposits in highly rated ADIs	457,565,763	20%	91,513,153
Deposits in less highly rated ADIs	221,409,325	50%	110,704,662
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	2,493,091,372	35%	872,581,980
Standard loans secured against eligible residential mortgages over 80% LVR	517,354,443	50%-75%	262,877,848
Other standard mortgage loans	9,270,718	100%	9,270,718
Non-standard mortgage loans	3,679,971	35%-100%	2,622,612
Other loans	329,430,235	100%	329,430,235
Other assets	42,722,485	100%	42,722,485
Total	4,075,814,113		1,721,723,693

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	106,989,933	100%	106,989,933	35%-100%	53,363,963
Redraws available	347,417,838	50%	173,708,919	35%-100%	66,429,196
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	259,007,654	0%	-		
Possible contribution to CUFSS	130,418,073	0%	-		
Total	843,833,598		280,698,952		119,793,259

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	20,000,000	0%	-	-	-	-
Residual maturity > 1 year to 5 years	2,000,000	0.5%	10,000	-	10,000	2,000
Total	22,000,000		10,000	-	10,000	2,000
Total weighted credit risk exposures						1,841,518,952

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-10	30-Jun-11	31-Dec-11	30-Jun-12	31-Dec-12	30-Jun-13
Total gross outstanding loans and advances for retail banking	2,562,109,970	2,771,806,877	2,912,194,314	3,070,330,500	3,212,036,658	3,335,287,137
- multiplied by 3.5% scaling factor	89,673,849	97,013,241	101,926,801	107,461,568	112,421,283	116,735,050
- multiplied by 12% risk factor	10,760,862	11,641,589	12,231,216	12,895,388	13,490,554	14,008,206
Average of the 6 half year results = Total operational risk capital requirement for retail banking						12,504,636

Operational risk capital requirement for commercial banking

	31-Dec-10	30-Jun-11	31-Dec-11	30-Jun-12	31-Dec-12	30-Jun-13
Total gross outstanding loans and advances for commercial banking	588,319,324	689,062,584	792,341,065	645,359,216	687,158,408	684,350,086
- multiplied by 3.5% scaling factor	20,591,176	24,117,190	27,731,937	22,587,573	24,050,544	23,952,253
- multiplied by 15% risk factor	3,088,676	3,617,579	4,159,791	3,388,136	3,607,582	3,592,838
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						3,575,767

Operational risk capital requirement for all other activity

	31-Dec-10	30-Jun-11	31-Dec-11	30-Jun-12	31-Dec-12	30-Jun-13
Adjusted gross income	2,111,070	3,401,488	2,030,846	3,906,064	2,075,673	3,722,777
- multiplied by 18% risk factor	379,993	612,268	365,552	703,091	373,621	670,100
Average of the 3 annual results = Total operational risk capital requirement for all other activity						1,034,875

Total operational risk capital requirement	17,115,278

RWA equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	213,940,972

Total credit and operational risk weighted	2,055,459,924

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	300,716,487
3	Accumulated other comprehensive income (and other reserves)	28,055,288
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**	328,771,775

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)	4,381,639
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)	9,687,102
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	-
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	5,861,149
26f	of which: capitalised expenses	3,825,953
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: 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**	14,068,741
29	**Common Equity Tier 1 Capital (CET1)**	314,703,034

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)**	314,703,034

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	13,708,723
51	**Tier 2 Capital before regulatory adjustments**	13,708,723

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)**	13,708,723
59	**Total capital (TC=T1+T2)**	328,411,757
60	**Total risk-weighted assets based on APRA standards**	2,055,459,924
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	15.31%
62	Tier 1 (as a percentage of risk-weighted assets)	15.31%
63	Total capital (as a percentage of risk-weighted assets)	15.98%
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)	7.98%
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)	13,708,723
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 1st January 2018 common disclosure table because it is fully applying the Basel III regulatory adjustments as implemented by APRA.

Regulatory Capital Reconciliation

Statement of financial position $'000				Common Disclosure Table Reference
Assets				
Cash on hand and deposits at call			45,939	
Receivables from financial institutions			634,326	
Receivables			13,597	
Prepayments			2,159	
Loans and advances to members			3,351,556	
- Loans and advances		3,354,473		
- Amortised loan origination fees		(1,271)		2
- Provision for impaired loans		(1,646)		
Available for sale investments			4,383	
- Cuscal Limited (Cuscal)		4,382		19
- Q.T. Travel Pty. Ltd. (Diploma Travel)		1		
Property, plant and equipment			26,849	
Taxation assets			5,977	
- Deferred tax asset		5,861		26e
- Other tax debtor		116		
Intangible assets			3,826	26f
Total assets			4,088,612	

Liabilities				
Wholesale sector deposits			184,885	
Retail deposits			3,519,666	
Derivative liabilities			71	
Creditors accruals and settlement accounts			23,467	
Taxation liabilities			3,319	
Provisions			15,930	
Total liabilities			3,747,338	
Net assets			341,274	
Members' equity				
Capital reserve account			514	2
General reserve for credit losses			13,709	50
Cash flow hedge reserve			(64)	2, 3
Retained earnings			327,115	
- Opening net of reserve transfers		299,017		2
- Profit after income tax		28,098		3
- of which adjusted for prepaid loan expenses, deferred transaction costs and amortised fee costs	21			2, 3
Total members' equity			341,274	

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 2% 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	1,841,518,952	147,321,516	8.00%
Operational risk	213,940,972	17,115,278	8.00%
Total	2,055,459,924	164,436,794	8.00%
Pillar 2 uplift capital		82,218,397	4.00%
ICAAP capital required		246,655,191	12.00%
Buffer for business cycle volatility		41,109,199	2.00%
Capital available for future growth and product and service development		40,647,367	1.98%
Risk-based capital ratio		328,411,757	15.98%
Common Equity Tier 1 capital ratio		314,703,034	15.31%
Tier 1 capital ratio		314,703,034	15.31%
Tier 2 capital ratio		13,708,723	0.67%

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	440,213,750	-	-	454,093,464
ADIs-rated A+ to A- (long-term)		3,000,000	-	-	3,000,000
ADIs-rated A-2 or P-2 (short-term)	8	235,761,338	-	-	233,525,772
Total	15	678,975,088	-	-	690,619,236

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	2,775,598	401,514	-	3,177,112	3,138,582
Personal	558,399	311,866	-	870,265	862,233
Total-natural persons	3,333,997	713,380	-	4,047,377	4,000,815
Corporate borrowers	20,476	36	-	20,512	21,013
Total	3,354,473	713,416	-	4,067,889	4,021,828

The commitments set out above comprise

Outstanding loan commitments	**$'000**
The loans approved but not funded	106,990

Loan redraw facilities	
The loan redraw facilities available	347,418

Undrawn loan facilities Loan facilities available to members for overdrafts and credit cards are as follows:	
Total value of facilities approved	358,495
Less: amount advanced	(99,487)
Net undrawn value	259,008

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

Total loan commitments	713,416

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 and restructured loans. 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	2,775,598	-	8,751	34	1	-
Personal	558,399	-	4,690	1,611	275	825
Total-natural persons	3,333,997	-	13,441	1,645	276	825
Corporate borrowers	20,476	-	1	1	-	-
Total	3,354,473	-	13,442	1,646	276	825

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 full life of all the individual facilities comprising the business of the bank.

The methodology to calculate the reserve has changed during the year to a Probability of Default and Loss Given Default approach from a fixed percentage of the aggregate of all drawn on statement financial position loans, redraw rights attached to loans paid in advance and irrevocable credit commitments model.

The Board utilises the model described above when exercising experienced credit judgment as well as considering any other internal and external factors to determine the appropriate reserve balance required.

The amount of the reserve is currently $13,708,723.

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 $361,218,481 consisting of mortgages secured loans. During the quarter no loans were securitised.

Off-statement of financial position - The bank has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an independent contractor to promote and complete loans on their behalf, for on sale to an investment trust. In addition, the bank is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria. The amount of the facility is currently $908,076 consisting of mortgage secured loans. During the quarter no loans were securitised.

Remuneration

Qualitative Disclosures

<table>
<tr><td rowspan="4">(a)</td><td rowspan="4">Information relating to the bodies that oversee remuneration</td><td colspan="3">Teachers Mutual Bank (TMB) 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 Office (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 TMB. 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

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 management team consists of:</td></tr>
<tr><td></td><td>Description</td><td>Number</td></tr>
<tr><td>Senior Managers</td><td>· CEO
· Deputy CEO
· Chief Financial Officer
· Chief Risk Officer
· Chief Sales and Marketing Officer
· Chief Operations Officer
· Chief Human Resources Officer
· Senior Manager Marketing
· Senior Manager Finance
· Senior Manager Treasury
· Senior Manager Credit and Insurance
· Senior Manager Human Resources
· Senior Manager eBusiness and Contact Centre
· Chief Internal Auditor
· Compliance Manager
· Chief Information Officer</td><td>16</td></tr>
<tr><td>Material Risk Takers</td><td>Persons subject to material bonuses or performance based remuneration.</td><td></td></tr>
<tr><td>(b)</td><td>Information relating to the design and structure of remuneration processes.</td><td colspan="3">The Remuneration Policy (the policy) affirms the Board's commitment to ensure that its remuneration practices enable TMB to:
· Appropriately compensate employees for the services they provide;
· Attract and retain employees with skills required to effectively manage operations and growth;
· Motivate employees to perform in the best interest of TMB and its stakeholders; and
· Provide an appropriate level of transparency.

The policy is reviewed annually and was last reviewed in June 2012. 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, Senior Manager Finance, Compliance Manager and the 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>
</table>

<table>
<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 colspan="2">The policy seeks to ensure that quality employees are employed, retained and are remunerated in accordance with their responsibilities and experience.
The remuneration committee assess 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 colspan="2">The performance of TMB is impacted by market conditions and through adherence to bank policies that recognise the Board’s risk appetite.

TMB 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 rowspan="4">(e)</td><td rowspan="4">Description of the ways in which the ADI seeks to adjust remuneration to take account of longer-term performance.</td><td colspan="2">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:</td></tr>
<tr><td>CEO/Deputy CEO</td><td>3 times salary on departure</td></tr>
<tr><td>· Chief Financial Officer
· Chief Risk Officer
· Chief Sales and Marketing Officer
· Chief Operations Officer
· Chief Human Resources Officer</td><td>2 times salary on departure</td></tr>
<tr><td>· Chief Information Officer
· Senior Manager Marketing
· Senior Manager Finance
· Senior Manager Treasury
· Senior Manager Credit and Insurance
· Senior Manager Human Resources
· Senior Manager eBusiness and Contact Centre
· Compliance Manager
· Chief Internal Auditor</td><td>3 weeks’ salary on departure for every 1 year of service to a maximum of 18 weeks</td></tr>
<tr><td>(f)</td><td>Description of the different forms of variable remuneration that the ADI utilises and the rationale for using these different forms.</td><td colspan="2">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 TMB’s long-term financial soundness and the Risk Management Framework.

In the past year bonus payments paid to senior managers identified in section (a) were $144,849.</td></tr>
</table>

Quantitative Disclosures

Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.	4
The number of senior managers identified in section (a) having received a variable remuneration award during the financial year.	16
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 severance payments made during the financial year.	-
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	16	-
Total value of remuneration awards for the current financial year	**Unrestricted**	**Deferred**
Fixed remuneration:		
Cash-based	$4,700,354	-
Shares and share-linked instruments	-	-
Other (inc fringe benefits)	$222,846	-
Variable remuneration:		
Cash-based	$144,849	-
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)	-	-