Public Disclosure of Prudential Information

As at 30 June 2020

TEACHERS MUTUAL BANK LIMITED

This public disclosure is prepared for Teachers Mutual Bank Limited for the quarter ended 30 June 2020. 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	1,204,480	0%	-
Deposits in highly rated ADIs	752,560,570	20%	150,512,114
Deposits in less highly rated ADIs	611,129,844	50%	305,564,922
Standard loans secured against eligible residential mortgages up to 80% LVR (up to 90% with Lenders Mortgage Insurance)	5,469,760,832	35%	1,914,416,291
Standard loans secured against eligible residential mortgages over 80% LVR	934,930,182	50%-75%	485,025,434
Other standard mortgage loans	28,733,521	100%	28,733,521
Non-standard mortgage loans	16,044,129	35%-100%	10,148,637
Deposits in other entities	76,605,191	20%	15,321,038
Other loans	146,857,774	0%-100%	146,750,596
Other assets	78,842,578	100%	78,842,578
Total	8,116,669,101		3,135,315,131

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	209,844,588	100%	209,844,588	35%-100%	92,451,854
Redraws available	419,703,786	50%	209,851,893	35%-100%	75,969,340
Guarantees	100	100%	100	100%	100
Unused revolving credit limits	311,059,131	0%	-		
Possible contribution to CUFSS Limited	100,000,000	0%	-		
Total	1,040,607,605		419,696,581		168,421,294

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	50,400,000	0.0%	-	-	-	-
Residual maturity > 1 year to 5 years	16,000,000	0.5%	80,000	-	80,000	16,000
Residual maturity > 5 years	-	1.5%	-	-	-	-
Total	66,400,000		80,000	-	80,000	16,000
Total weighted credit risk exposures						3,303,752,425

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-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20
Total gross outstanding loans and advances for retail banking	5,580,317,615	5,993,575,816	6,454,352,881	6,475,311,996	6,466,758,492	6,598,367,072
- multiplied by 3.5% scaling factor	195,311,117	209,775,154	225,902,351	226,635,920	226,336,547	230,942,848
- multiplied by 12% risk factor	23,437,334	25,173,018	27,108,282	27,196,310	27,160,386	27,713,142
Average of the 6 half year results = Total operational risk capital requirement for retail banking						26,298,079

Operational risk capital requirement for commercial banking

	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20
Total gross outstanding loans and advances for commercial banking	1,218,730,671	964,941,406	1,193,181,406	1,433,281,868	1,438,303,213	1,402,473,285
- multiplied by 3.5% scaling factor	42,655,574	33,772,949	41,761,349	50,164,865	50,340,612	49,086,565
- multiplied by 15% risk factor	6,398,336	5,065,942	6,264,202	7,524,730	7,551,092	7,362,985
Average of the 6 half year results = Total operational risk capital requirement for commercial banking						6,694,548

Operational risk capital requirement for all other activity

	31-Dec-17	30-Jun-18	31-Dec-18	30-Jun-19	31-Dec-19	30-Jun-20
Adjusted gross income	2,997,841	4,559,025	3,738,151	3,381,640	2,563,695	8,460,113
- multiplied by 18% risk factor	539,611	820,625	672,867	608,695	461,465	1,522,820
Average of the 3 annual results = Total operational risk capital requirement for all other activity						1,542,028

Total operational risk capital requirement	34,534,655

RWA equivalent amount for operational risk capital requirement = Operational risk capital * 12.50	431,683,182

Total credit and operational risk weighted	3,735,435,607

Capital adequacy

Common Disclosure Table

Instruments and reserves Common Equity Tier 1 capital:		
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-
2	Retained earnings	520,417,544
3	Accumulated other comprehensive income (and other reserves)	25,701,017
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	546,118,561

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)	(18,739,249)
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	(10,828,924)
26f	of which: capitalised expenses	(2,618,929)
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	(18,739,249)
29	Common Equity Tier 1 Capital (CET1)	527,379,312

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)	527,379,312

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	24,229,171
51	Tier 2 Capital before regulatory adjustments	44,229,171

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)	44,229,171
59	Total capital (TC=T1+T2)	571,608,483
60	Total risk-weighted assets based on APRA standards	3,735,435,607
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	14.12%
62	Tier 1 (as a percentage of risk-weighted assets)	14.12%
63	Total capital (as a percentage of risk-weighted assets)	15.30%
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)	7.30%
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)	24,229,171
77	Cap on inclusion of provisions in Tier 2 under standardised approach	41,296,905
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)	-

TMBL 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			88,155	
Receivables from financial institutions			1,353,345	
Derivative assets held for hedging purposes			564	
Receivables			13,551	
Prepayments			4,810	
Loans and advances to members			6,620,270	
- Loans and advances		6,597,463		
- Amortised loan origination fees		10,542		2
- Broker trail commission asset		18,827		
- Provision for impaired loans (ECL model)		(6,562)		
- APS 220 Credit Quality (specific provisions)	(1,137)			
- Additional ECL provision above APS 220	(5,425)			50
Assets at fair value through other comprehensive income			5,145	26d
Investments in controlled entities			147	26g

Property, plant and equipment			36,163	
Right-of-use assets			4,227	
Taxation assets			11,529	
- Deferred tax asset		10,829		26e
- Other tax debtor		700		
Intangible assets			2,619	26f
Total assets			8,140,525	
Liabilities				
Borrowings			-	
Wholesale sector funding			617,508	
Retail deposits			6,863,284	
Derivative liabilities			1,674	
Creditors accruals and settlement accounts			12,982	
Taxation liabilities			2,829	
Provisions			42,523	
Lease liability			4,225	
Subordinated debt			20,035	
- Subordinated debt		20,000		46
- Accrued interest		35		
Total liabilities			7,565,060	
Net assets			575,465	
Members' equity				
Capital reserve account			835	2
General reserve for credit losses			18,804	50
Cash flow hedge reserve			(728)	3
Retained earnings			556,554	
- Opening net of reserve transfers		530,557		2
- Profit after income tax		25,997		3
- of which adjusted for prepaid loan expenses, deferred transaction costs and amortised fee costs	433			2, 3
Total members' equity			575,465	

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 consists of a general reserve for credit losses and subordinated term debt.

Capital Structure	Capital Base	Capital Ratio
Common Equity Tier 1	527,379,312	14.12%
Tier 1 Capital	527,379,312	14.12%
Tier 2 Capital	44,229,171	1.18%
Total Capital	571,608,483	15.30%

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.

Investments

The risk of losses on 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 entities:	No. of institutions	Carrying value	Past due value	Provision	Average gross exposure in the quarter
Rated A-1+ to A-1 (short-term)	7	414,434,821	-	-	403,183,663
Rated A-2 or P-2 (short-term)	13	254,345,052	-	-	321,496,920
Rated A-3 (short-term)	1	6,965,970	-	-	6,958,908
Rated AAA to AA- (long term)	7	414,730,940	-	-	367,126,700
Rated A+ to A- (long-term)	4	179,565,887	-	-	179,567,844
Rated BBB+ to BBB or Baa1 (long-term)	8	170,252,935	-	-	166,827,042
Total		1,440,295,605	-	-	1,445,161,077

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	6,405,338	621,532	-	7,026,870	6,907,977
Personal	191,824	318,504	-	510,328	513,795
Total-natural persons	6,597,162	940,036	-	7,537,198	7,421,772
Corporate borrowers	301	572	-	873	875
Total	6,597,463	940,608	-	7,538,071	7,422,647

The commitments set out above comprise

Outstanding loan commitments	$’000
The loans approved but not funded	209,845
Loan redraw facilities	
The loan redraw facilities available	419,704
Undrawn loan facilities Loan facilities available to members for overdrafts and credit cards are as follows:	
Total value of facilities approved	384,544
Less: amount advanced	(73,485)
Net undrawn value	311,059

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

Total loan commitments	940,608

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	6,405,338	4,241	29,658	161	(99)	57
Personal	191,824	-	3,490	976	80	308
Total-natural persons	6,597,162	4,241	33,148	1,137	(19)	365
Corporate borrowers	301	-	1	-	(1)	-
Total	6,597,463	4,241	33,149	1,137	(20)	365

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 $18,804,144.

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 $908,522,267 consisting of mortgages secured loans.

On-statement of financial position - The Bank has invested in Residential Mortgage Backed Securities (RMBS). The total amount invested is currently $76,605,191.

Remuneration

Qualitative Disclosures

<table>
<tr><td rowspan="3">(a)</td><td rowspan="3">Information relating to the bodies that oversee remuneration</td><td colspan="3">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 – resigned 1 December 2019
• Linda Green
• Michelene Collopy – resigned 1 December 2019
• William Ford
• Michael O'Neill – appointed 1 December 2019
• Maree O'Halloran – appointed 1 December 2019

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:</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 Human Resources Officer
· Chief Information Officer
· Chief Marketing Officer
· Chief Operations Officer
· Chief Risk Officer
· Chief Sales Officer
· Chief Internal Auditor
· General Manager - FMB
· General Manager - HPB
· General Manager - UniBank
· General Manager - TMB (position ceased Nov19)
· Head of Corporate Affairs
· Head of Credit
· Head of Cyber Protection
· Head of Digital
· Head of Enterprise Risk
· Head of Finance
· Head of Human Resources
· Head of Product and Marketing
· Head of Regulatory Services
· Head of Technology Services
· Head of Third Party Distribution
· Head of Treasury</td><td>26</td></tr>
<tr><td></td><td></td><td>Material Risk Takers</td><td>Persons subject to material bonuses or performance based remuneration.</td><td>Nil</td></tr>
</table>

<table>
<tr><td>(b)</td><td>Information relating to the design and structure of remuneration processes.</td><td colspan="2">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;
· 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 June 2019. 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 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 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 colspan="2">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 rowspan="3">(e)</td><td rowspan="3">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 under a normal situation:</td></tr>
<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 Human Resources Officer
· Chief Information Officer
· Chief Marketing Officer
· Chief Operations Officer
· Chief Risk Officer
· Chief Sales Officer</td><td>3 weeks’ salary on departure for every 1 year of service</td></tr>
</table>

		· Chief Internal Auditor · General Manager - FMB · General Manager - HPB · General Manager - UniBank · General Manager - TMB (position ceased Nov19) · Head of Corporate Affairs · Head of Credit · Head of Cyber Protection · Head of Digital · Head of Enterprise Risk · Head of Finance · Head of Human Resources · Head of Product and Marketing · Head of Regulatory Services · Head of Technology Services · Head of Third Party Distribution · Head of Treasury	3 weeks' salary on departure for every 1 year of service to a maximum of 18 months
(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, no senior managers were paid a performance bonus.	

Qualitative Disclosures

Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.	1 $341,150
The number of senior managers identified in section (a) having received a variable remuneration award during the financial year.	-
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.	2 $198,179
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	26	Nil
Total value of remuneration awards for the current financial year	**Unrestricted**	**Deferred**
Fixed remuneration:		
Cash-based	$8,505,004	-
Shares and share-linked instruments	-	-
Other (including fringe benefits)	$24,528	-
Variable remuneration:		
Cash-based	-	-
Shares and share-linked instruments	-	-
Other (including 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 (including fringe benefits)	-	-
Variable remuneration:		
Cash-based	-	-
Shares and share-linked instruments	-	-
Other (including 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