

APS 330 - Public Disclosure of Prudential Information as at 30th June 2015

Capital Structure as at 30th June 2015

The capital disclosures detailed in the Common Disclosure Template represents the post 1 January 2018 Basel III common disclosure requirements. Hume Bank Limited (Hume) is applying the Basel III regulatory adjustments in full as implemented by APRA. The Common Disclosures Template should be read in conjunction with Hume's Regulatory Balance Sheet and Capital Reconciliation.

APRA Row Ref	Common Disclosure Template		Reconciliation Table Ref or item no. on Balance Sheet
Common Equity Tier 1 capital: instruments and reserves		A\$m	
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	
2	Retained earnings	60.67	19
3	Accumulated other comprehensive income (and other reserves)	1.68	Table A
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount	-	
6	Common Equity Tier 1 capital before regulatory adjustments	62.36	
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)	(1.96)	
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	0.30	Table D
26d	of which: equity investment in financial institutions not reported in rows 18, 19 and 23	(0.20)	7
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	(1.47)	Table C
26f	of which: capitalised expenses	(0.58)	10
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	-	
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	(1.96)	
29	Common Equity Tier 1 Capital (CET1)	60.40	
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	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	
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	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
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)	60.40	
Tier 2 Capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments	-	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	1.40	Table B
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 (Reserves)	1.30	Table A
51	Tier 2 Capital before regulatory adjustments	2.70	
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)	2.70	
59	Total capital (TC=T1+T2)	63.10	
60	Total risk-weighted assets based on APRA standards	432.29	

Capital Ratios and Buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	13.97%	
62	Tier 1 (as a percentage of risk-weighted assets)	13.97%	
63	Total capital (as a percentage of risk-weighted assets)	14.60%	
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	<i>of which: capital conservation buffer requirement</i>	2.50%	
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	0.00%	
67	<i>of which: G-SIB buffer requirement (not applicable)</i>		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	6.60%	
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)	1.30	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1.30	
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	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

Capital Instruments

Disclosure template for main features of Regulatory Capital instruments		
1	Issuer	Hume Building Society Ltd
2	Unique identifier	n/a
3	Governing law(s) of the instrument	New South Wales
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/group & solo	Solo and group
7	Instrument type	Subordinated notes
8	Amount recognised in Regulatory Capital	\$1.4m
9	Par value of instrument	\$2.0m
10	Accounting classification	Liability - amortised cost
11	Original date of issuance	9th November 2012
12	Perpetual or dated	Dated
13	Original maturity date	9th November 2022
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date	9th November 2017, multiples of \$100,000
16	Subsequent call dates	Quarterly (interest payment dates), multiples of \$100,000
	<i>Coupons/dividends</i>	
17	Fixed or floating	Floating
18	Coupon rate	BBSW plus Margin of 593bps
19	Existence of dividend stopper	n/a
20	Fully discretionary, partially discretionary or mandatory	Mandatory
21	Existence of step up or incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a
25	If convertible, fully or partially	n/a
26	If convertible, conversion rate	n/a
27	If convertible, mandatory or optional conversion	n/a
28	If convertible, specify instrument type convertible into	n/a
29	If convertible, specify issuer of instrument it converts into	n/a
30	Write-down feature	No
31	If write-down, write-down trigger(s)	n/a
32	If write-down, full or partial	n/a
33	If write-down, permanent or temporary	n/a
34	If temporary write-down, description of write up mechanism	n/a
35	Position in subordination hierarchy in liquidation	Unsecured, ranks behind creditors
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	No write down or convertible to equity feature

Capital Adequacy as at 30th June 2015

	\$
Capital requirements for credit risk	
Claims on ADIs	50,509,161
Claims secured by residential mortgages	220,440,789
Other retail claims	63,566,770
Other assets	9,184,981
Off balance sheet exposures	30,837,954
Total capital requirement for credit risk	374,539,655
Capital requirements for operational risk	
Capital requirement for operational risk	57,749,024
Total capital requirements (Risk Weighted Assets)	432,288,679

Capital adequacy ratio	
Common Equity Tier 1 capital adequacy ratio	13.97%
Tier 1 capital adequacy ratio	13.97%
Total capital adequacy ratio	14.60%

Credit Risk as at 30th June 2015

	Gross Exposure	Average over the quarter
	\$	\$
Total gross credit risk exposure		
On balance sheet		
Cash, ADI deposits and investment securities	260,760,136	263,054,158
Loans and advances	678,323,633	674,450,629
Other assets	9,184,981	9,280,736
Total on balance sheet credit risk exposures	948,268,750	946,785,523
Off balance sheet		
Loans approved not yet advanced	25,293,546	26,057,041
Guarantees	2,462,055	2,461,663
Undrawn credit limits	132,744,991	133,410,684
Forward asset purchase	-	-
Interest rate contracts	70,551	84,367
Total off balance sheet credit risk exposures	160,571,143	162,013,755
Total credit risk exposures	1,108,839,893	1,108,799,278

	Gross exposure	Average over the quarter
	\$	\$
Credit risk exposure by portfolio		
Cash and Claims on ADIs	260,760,136	263,054,158
Claims secured by residential mortgages	739,334,526	737,878,013
Other retail claims	99,489,699	98,502,004
Other assets	9,255,532	9,365,103
Total credit risk exposures	1,108,839,893	1,108,799,278

	Impaired facilities	Past due facilities	Specific provision	Charges for specific provisions	Write-offs
	\$	\$	\$	\$	\$
Credit risk exposure by portfolio					
Cash and Claims on ADIs					
Claims secured by residential mortgages	162,997	1,680,924	20,000	(4,169)	4,169
Other retail claims	624,273	407,857	325,402	36,263	59,766
Other assets					
Total credit risk exposures	787,270	2,088,781	345,402	32,094	63,935

	\$
General reserve for credit losses	
General reserve for credit losses	1,296,786

Securitisation Exposures as at 30th June 2015

Hume has established an internal securitisation of residential mortgages, linked to a repurchase agreement facility with the Reserve Bank of Australia, as a liquidity contingency. Hume has not derecognised these loans from the statement of financial position. No capital relief has been obtained under APS 120 Securitisation.

Type of Securitisation Exposure	Exposure
	\$
Residential mortgage loans securitised during current quarter	-
Residential mortgage securitised loans - on balance sheet exposures at end of quarter	120,292,568

Regulatory Capital Reconciliation as at 30th June 2015

Row Ref	Balance Sheet	2015 A\$m	Common Disclosure Reference
	Assets		
1	Cash and cash equivalents	54.34	
2	Receivables due from other financial institutions	75.75	
3	Investment securities	130.68	
4	Trade and other receivables	0.91	
5	Derivative financial instruments	0.07	
6	Loans and advances	678.03	see Table D
7	Other investments	0.20	Row 26d
8	Investment property	1.75	
9	Property, plant and equipment	6.63	
10	Intangible assets	0.58	Row 26f
11	Deferred tax assets	1.47	see Table C
	Total assets	950.39	
	Liabilities		
12	Deposits	872.17	
13	Trade and other payables	9.95	
14	Income tax payable	0.37	
15	Deferred tax liabilities	-	see Table C
16	Provision for employee benefits	2.25	
17	Borrowings	2.00	see Table B
	Total liabilities	886.74	
	Net assets	63.65	
	Members' funds		
18	Reserves	2.98	see Table A
19	Retained earnings	60.67	Row 2
	Total members' funds	63.65	

Reconciliation between Common Disclosures Template and Balance Sheet

Table A: Reserves	A\$m	Common Disclosure Reference
Asset revaluation reserve	1.04	
Capital profits reserve	0.59	
Cash flow hedge reserve	0.05	
Total Tier 1 reserves	1.68	Row 3
General reserve for credit losses (included in Tier 2)	1.30	Row 50
Total reserves per balance sheet	2.98	

Table B: Subordinated Debt	A\$m	Common Disclosure Reference
Borrowings per balance sheet	2.00	
Less: regulatory amortisation (Basel III transitional)	(0.60)	
Total Subordinated Debt (included in Tier 2)	1.40	Row 47

Table C: Deferred Tax Assets	A\$m	Common Disclosure Reference
Future income tax benefit per balance sheet	1.47	
Deferred tax liability per balance sheet	-	6
Total deferred tax assets (Tier 1 adjustments)	1.47	Row 26e

Table D: Loans & Advances: Deferred Loan Fees	A\$m	Common Disclosure Reference
Loans & advances before deferred fees and costs	678.67	
Less: deferred loan fees (net)	(0.30)	Row 26c
Less: provision for impairment	(0.35)	
Total loans & advances per balance sheet	678.03	

Remuneration Disclosures

Qualitative Disclosures									
(a)	<p>Hume's Remuneration and Succession Committee oversees the Bank's remuneration process.</p> <p>Hume's Remuneration and Succession Committee Charter is reviewed annually and was last approved by the Board on the 16th October 2014. The charter outlines the purpose, responsibilities, membership and meeting requirements of the Committee.</p> <p>The purpose of the Remuneration and Succession Committee is to assist the Board by:</p> <ul style="list-style-type: none"> • Making recommendations on the suitability of candidates for Director and CEO vacancies; • Conducting annual review of fit and proper and independence; and • Reviewing remuneration and making recommendations to the Board. <p>The members of the Remuneration and Succession Committee during the year were:</p> <ul style="list-style-type: none"> • Feynella Joy Stocker (Chairperson) - Independent Non-Executive Director • Ulf Olod Ericson - Independent Non-Executive Director (member from November 2014) • Michael Conrad Gobel - Independent Non-Executive Director • William Thomas Hanrahan - Non-Independent Non-Executive Director • Karyl Denise Osborne - Independent Non-Executive Director (member until August 2014) <p>The Remuneration and Succession Committee Charter requires the committee to meet as required, but at least bi-annually.</p> <p>No external consultants have been engaged in connection with Hume's remuneration process during the past year. Industry benchmarks and externally available data are used to obtain industry and other relevant comparisons.</p> <p>Hume's Remuneration and Reward Policy was approved by the Board in April 2014. This policy provides a framework for attracting and retaining staff by offering a competitive remuneration and reward structure. The policy applies to all staff.</p> <p>The number of Senior Managers and Material Risk Takers are as follows:</p> <table border="1"> <thead> <tr> <th>Type of employees</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Senior Managers</td> <td>6</td> </tr> <tr> <td>Material Risk Takers</td> <td>Nil</td> </tr> <tr> <td>Total Senior Managers and Material Risk Takers</td> <td>6</td> </tr> </tbody> </table> <p>Hume's Senior Managers are responsible for planning, directing and controlling the activities of the company and include the Chief Executive Officer, General Manager Finance and Administration, General Manager Customer Service, Sales and Marketing, General Manager Information Technology, General Manager Human Resources and Risk Manager.</p>	Type of employees	Number	Senior Managers	6	Material Risk Takers	Nil	Total Senior Managers and Material Risk Takers	6
Type of employees	Number								
Senior Managers	6								
Material Risk Takers	Nil								
Total Senior Managers and Material Risk Takers	6								
(b)	<p>Hume's Remuneration and Reward Policy affirms its commitment to fairly remunerating and rewarding employees in accordance with their contribution and responsibility.</p> <p>Hume aims to develop and grow as a viable Bank that attracts, retains and motivates talented employees. It adopts remuneration practices that takes into consideration a competitive employment market, sustaining business profitability and supporting the Risk Management Framework. To this end, and within the bounds set by legislation and other industrial agreements, Hume sets remuneration policy to support a productive and performance focused culture.</p> <p>The Remuneration and Reward Policy was approved by the Board in April 2014. The scope of the policy was updated to include an assessment of the Remuneration and Rewards Policy's effectiveness and compliance with the requirements of CPS510.</p> <p>Risk and financial control personnel are paid a fixed remuneration that reflects their core performance requirements and expectations associated with the particular position. These personnel may be eligible to be paid an annual bonus as outlined in section (d). The annual bonus incorporates Hume's overall financial performance and performance against other non financial Key Performance Indicators (KPI's) and not departmental performance. KPI's for these roles do not include sales, marketing or other risk-taking related outcomes.</p>								

(c)	<p>Hume's Risk Management Framework identifies that offering uncompetitive remuneration will impact Hume's ability to recruit and retain skilled employees. As such, Hume's Remuneration and Reward Policy supports the Risk Management Strategy to ensure that quality employees are employed, retained and are appropriately remunerated in accordance with their responsibilities and experience. It also recognises that Hume must adopt remuneration practices that strike a balance between sustaining business profitability and managing in a competitive employment market.</p> <p>The key measures used to take into account these risks and how they affect remuneration include:</p> <ul style="list-style-type: none"> • Annual external benchmarking surveys to ensure appropriate remuneration practices are maintained; • Annual employee engagement survey (which measures employee engagement with remuneration and reward practices) to identify any areas of concern and implement actions to address those concerns; and • Annual employee appraisals to ensure that performance demonstrates the skills and experiences required of the role and meet Hume's strategic objectives. <p>The nature of and type of these measures have not changed over the past year.</p>
(d)	<p>Hume's remuneration comprises of the following:</p> <p><u>Fixed component</u> Consisting of salary and wages, FBT benefits, leave entitlements and employer superannuation contributions.</p> <p><u>Variable component (annual bonus)</u> An annual bonus is offered to all staff, including senior managers and the CEO, to recognise the contribution staff make to the overall business results. The objective of the bonus is to engage staff with the total business performance and payment will be made upon the achievement of both corporate Key Performance Indicators (KPIs) and individual performance as determined through appraisal results.</p> <p>The quantum of total and individual bonus payments varies depending upon Company and individual performance.</p>
(e)	<p>There is currently no mechanism for Hume to reward longer-term performance.</p> <p>Remuneration is based on a fixed salary provided to the Senior Manager and is approved by the CEO or the Board within the guidelines established in the Remuneration and Reward Policy. There is no deferred remuneration provided to managers other than the employee statutory entitlements.</p>
(f)	<p>The annual bonus is generally paid in cash. With prior agreement, the bonus, or part thereof, may be paid directly to the employee's superannuation fund or converted to additional leave.</p>

Qualitative Disclosures			
(g)	During the year, the Remuneration and Succession Committee met five times. The remuneration paid to its members was as follows:		
	Remuneration to the Remunerations and Succession Committee Members	\$	
	Total Remuneration and Succession Committee fees	39,160	
	Other remuneration	224,453	
	Total remuneration	263,613	
(h)	Senior Managers	No.	\$
	Variable remuneration paid - annual bonus	6	64,664
	Guarantee bonuses	-	-
	Sign-on award	-	-
	Severance payment	-	-
(i)	Senior Managers	\$	
	Deferred remuneration outstanding	-	
	Deferred remuneration paid	-	
(j)	Senior Managers - Total Value of Remuneration Awards for the Current Financial Year	Unrestricted (\$)	Deferred (\$)
	Fixed Remuneration		
	Cash based	1,066,367	-
	Shares	-	-
	Other	202,144	-
	Variable Remuneration		
	Cash based	59,054	-
	Shares	-	-
	Other	5,610	-
	Total	1,333,175	-
	(k)	Senior Managers	\$
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.		-	
Total amount of reductions during the financial year due to ex pose explicit adjustments.		-	
Total amount of reductions during the financial year due to ex post implicit adjustments.		-	