

## Public Disclosure of Prudential Information as at 30 June 2018

Big Sky Building Society Limited (ABN 30 087 652 079 AFSL 237994) ('Big Sky') is an Authorised Deposit Taking Institution ('ADI') subject to regulation by the Australian Prudential Regulation Authority ('APRA') and is a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888).

This update to Big Sky's capital adequacy and risk disclosures has been prepared in accordance with APRA prudential standard APS330 and uses the post January 2018 common disclosure template.

Big Sky Building Society is fully applying the Basel III regulatory adjustments as implemented by APRA.

| Common Equity Tier 1 Capital: instruments and reserves |   | \$'000s       | Reconciliation reference |
|--|---|---------------|--------------------------|
| 1  | Directly issued qualifying ordinary shares                              | 12,500        | Balance sheet            |
| 2  | Retained earnings including current year earnings                       | 9,506         | Table A                  |
| 3  | Accumulated other comprehensive income (and other reserves)             | 40,597        | Table A                  |
| 4  | <i>Directly issued capital subject to phase out from CET1</i>           | -             |                          |
| 5  | Ordinary share capital issued by subsidiaries and held by third parties | -             |                          |
| 6  | <b>Common Equity Tier 1 capital before regulatory adjustments</b>       | <b>62,603</b> |                          |

| 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   | (33)  |               |
| 12   | Shortfall of provisions to expected losses  | -     |               |
| 13   | Securitisation gain on sale   | -     |               |
| 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   | -     |               |
| 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 | -     |               |
| 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   | -     |               |
| 20   | Mortgage service rights   | -     |               |
| 21   | Deferred tax assets arising from temporary differences (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  | 5,316 |               |
| 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  | 5,145 | Balance sheet |
| 26f  | of which: capitalised expenses  | 171   |               |
| 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  | <b>Total regulatory adjustments applied to Common Equity Tier 1</b>   | 5,283  |  |
| 29  | <b>Common Equity Tier 1 Capital (CET1)</b>  | 57,320 |  |

#### **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 issued by subsidiaries and held by third parties         | - |  |
| 35 | <i>of which: instruments issued by subsidiaries subject to phase-out</i>               | - |  |
| 36 | <b>Additional Tier 1 Capital before regulatory adjustments</b>                         | - |  |

#### **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 | -      |  |
| 40  | 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   | -      |  |
| 41  | National specific regulatory adjustments  | -      |  |
| 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 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 capital due to insufficient Tier 2 to cover deductions  | -      |  |
| 43  | <b>Total regulatory adjustments to Additional Tier 1 capital</b>  | -      |  |
| 44  | <b>Additional Tier 1 capital (AT1)</b>  | -      |  |
| 45  | <b>Tier 1 Capital (T1=CET1+AT1)</b>   | 57,320 |  |

#### **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>  | -      |         |
| 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 | <i>of which: instruments issued by subsidiaries subject to phase out</i>   | -      |         |
| 50 | Provisions GRCL + Collective Provision   | 12,903 | Table A |
| 51 | <b>Tier 2 Capital before regulatory adjustments</b>  | 12,903 |         |

#### **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 | -      |  |
| 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   | -      |  |
| 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  | <b>Total regulatory adjustments to Tier 2 capital</b>  | -      |  |
| 58  | <b>Tier 2 capital (T2)</b>   | 12,903 |  |

|  |  |         |
|--|--|---------|
| 59   | <b>Total capital (TC=T1+T2)</b>  | 70,223  |
| 60   | <b>Total risk-weighted assets based on APRA standards</b>  | 400,190 |
| <b>Capital ratios and buffers</b>  |  |         |
| 61   | <b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>  | 14.32%  |
| 62   | <b>Tier 1 (as a percentage of risk-weighted assets)</b>  | 14.32%  |
| 63   | <b>Total capital (as a percentage of risk-weighted assets)</b>   | 17.55%  |
| 64   | <b>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)</b> | 7.00%   |
| 65   | <i>of which: capital conservation buffer requirement</i>   | 2.50%   |
| 66   | <i>of which: ADI-specific countercyclical buffer requirement</i>   | -       |
| 67   | <i>of which: G-SIB buffer requirement (not applicable)</i>   | N/A     |
| 68   | <b>Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)</b>  | 6.82%   |
| <b>National minima (if different from Basel III)</b>   |  |         |
| 69   | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)  | N/A     |
| 70   | National Tier 1 minimum ratio (if different from Basel III minimum)  | N/A     |
| 71   | National total capital minimum ratio (if different from Basel III minimum)   | N/A     |
| <b>Amounts below thresholds for deductions (not risk weighted)</b>   |  |         |
| 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)  | -       |
| <b>Applicable caps on the inclusion of provisions in Tier 2</b>  |  |         |
| 76   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)   | -       |
| 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  | -       |
| <b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b> |  |         |
| 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 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>   | -       |

| <b>Regulatory Balance Sheet</b>                       | <b>\$'000</b>  | <b>Reconciliation reference</b> |
|---|----------------|---------------------------------|
| <b>ASSETS</b>   |                |                                 |
| Cash and cash equivalents                             | 10,024         |                                 |
| Trade and other receivables                           | 1,977          |                                 |
| Financial assets at fair value through profit or loss | 54,219         |                                 |
| Held-to-maturity investments                          | 54,923         |                                 |
| Loans and advances                                    | 650,973        |                                 |
| Deferred tax assets                                   | 5,145          | Row 26e                         |
| Property, plant & equipment                           | 51             |                                 |
| Intangible assets                                     | 129            |                                 |
|   | <b>777,441</b> |                                 |
| <b>LIABILITIES</b>                                    |                |                                 |
| Trade and other payables                              | 5,022          |                                 |
| Interest bearing liabilities                          | 708,593        |                                 |
| Provisions  | 1,102          |                                 |
| Other liabilities                                     | 121            |                                 |
|   | <b>714,838</b> |                                 |
| <b>Net assets</b>                                     | <b>62,603</b>  |                                 |
| <b>EQUITY</b>   |                |                                 |
| Contributed Equity                                    | 12,500         | Row 1                           |
| Reserves  | 40,597         | Table A                         |
| Retained earnings                                     | 9,506          | Table A                         |
|   | <b>62,603</b>  |                                 |

| <b>Reconciliation between common disclosure template and regulatory balance sheet</b> |                          |                                 |
|---|--------------------------|---------------------------------|
| <b>Table A</b>  | <b>Per balance sheet</b> | <b>Reconciliation reference</b> |
| <b>Contributed Equity</b>   | <b>12,500</b>            | Row 1                           |
| General reserve   | 10,998                   |                                 |
| Business combination reserve  | 29,632                   |                                 |
| Cash flow hedges reserve  | (33)                     | Row 11                          |
| <b>Reserves</b>   | <b>40,597</b>            | Row 3                           |
| <b>Retained earnings</b>  | <b>9,506</b>             | Row 2                           |
| <b>Total Per Balance Sheet</b>  | <b>62,603</b>            |                                 |

| <b>Capital Adequacy</b>                  | <b>Risk Weighted Exposure at 30 June 2018</b> | <b>Risk Weighted Exposure at 31 March 2018</b> |
|--|---|--|
|  | <b>\$,000</b>                                 | <b>\$,000</b>                                  |
| <b>Credit Risk</b>                       |   |  |
| • Deposits with banks and ADIs           | 40,145  | 39,374   |
| • Loans and advances                     |   |  |
| ○ Claims secured by residential mortgage | 190,750                                       | 190,009  |
| ○ Other members loans                    | 8,550   | 19,536   |
| ○ Commercial                             | 100,628                                       | 94,754   |
| ○ Government                             | -   | -  |
| ○ Commitments for loans and advances     |   |  |
| - Loans approved not advanced            | 3,179   | 3,669  |
| - Loan redraw facilities                 | 6,821   | 7,353  |
| - Guarantees                             | -   | -  |
| ○ Interest rate contracts                | -   | 8  |
| <b>Cash and Claims</b>                   | -   | -  |
| <b>Other Assets</b>                      | 3,535   | 3,842  |
| <b>Operational Risk</b>                  | 46,582  | 47,288   |
| <b>Other Charges Prescribed by APRA</b>  | -   | -  |
| <b>Total Risk Weighted Exposures</b>     | <b>400,190</b>                                | <b>405,833</b>                                 |
| <b>Capital Adequacy Ratio</b>            |   |  |
| • Common Equity Tier 1 ratio             | <b>14.32%</b>                                 | <b>14.22%</b>                                  |
| • Tier 1 ratio                           | <b>14.32%</b>                                 | <b>14.22%</b>                                  |
| • Total capital ratio                    | <b>17.55%</b>                                 | <b>17.02%</b>                                  |

| Credit Risk Exposure for 3 month period ended 30 June 2018 | Gross exposures at reporting date | Average gross exposures for the period | 90 days past due | Impaired Facilities | Specific provisions balance | Charge for specific provisions and write-offs for the period |
|--|-----------------------------------|--|------------------|---------------------|-----------------------------|--|
|  | \$,000                            | \$,000                                 | \$,000           | \$,000              | \$,000                      | \$,000   |
| <b>Deposits with banks or ADIs</b>                         | <b>118,146</b>                    | <b>118,502</b>                         | -                | -                   | -                           | -  |
| <b>Loans and advances:</b>                                 |                                   |  |                  |                     |                             |  |
| <b>On balance sheet:</b>                                   |                                   |  |                  |                     |                             |  |
| - secured by residential mortgage                          | 528,333                           | 525,553                                | 8,427            | 7,394               | 3,564                       | 2,036  |
| - other members loans                                      | 8,550                             | 14,044                                 | 1,818            | 1,631               | 687                         | 721  |
| - commercial   | 128,998                           | 125,231                                | -                | -                   | -                           | -  |
| - government   | -                                 | -                                      | -                | -                   | -                           | -  |
| <b>Off balance sheet commitments</b>                       |                                   |  |                  |                     |                             |  |
| - loans approved not advanced                              | 15,898                            | 13,790                                 | -                | -                   | -                           | -  |
| - loan redraw limits                                       | -                                 | -                                      | -                | -                   | -                           | -  |
| - revocable line of credits undrawn                        | 21,774                            | 22,360                                 | -                | -                   | -                           | -  |
| - irrevocable loan drawdowns                               | 38,107                            | 39,081                                 | -                | -                   | -                           | -  |
| - irrevocable standby commitments                          | -                                 | -                                      | -                | -                   | -                           | -  |
| <b>Total loans and advances</b>                            | <b>741,660</b>                    | <b>740,058</b>                         | <b>10,245</b>    | <b>9,025</b>        | <b>4,251</b>                | <b>2,757</b>   |

The general reserve for credit losses at 30 June 2018 is (\$000):

\$12,903

| Credit Risk Exposure for 3 month period ended 31 March 2018 | Gross exposures at reporting date | Average gross exposures for the period | 90 days past due | Impaired Facilities | Specific provisions balance | Charge for specific provisions and write-offs for the period |
|---|-----------------------------------|--|------------------|---------------------|-----------------------------|--|
|   | \$,000                            | \$,000                                 | \$,000           | \$,000              | \$,000                      | \$,000   |
| <b>Deposits with banks or ADIs</b>                          | <b>118,858</b>                    | <b>115,561</b>                         | -                | -                   | -                           | -  |
| <b>Loans and advances:</b>                                  |                                   |  |                  |                     |                             |  |
| <b>On balance sheet:</b>                                    |                                   |  |                  |                     |                             |  |
| - secured by residential mortgage                           | 522,773                           | 531,660                                | 3,980            | 2,491               | 1,528                       | (32)   |
| - other members loans                                       | 19,536                            | 19,402                                 | 19               | 2                   | 68                          | (14)   |
| - commercial  | 121,463                           | 119,697                                | -                | -                   | -                           | -  |
| - government  | -                                 | -                                      | -                | -                   | -                           | -  |
| <b>Off balance sheet commitments</b>                        |                                   |  |                  |                     |                             |  |
| - loans approved not advanced                               | 11,682                            | 10,154                                 | -                | -                   | -                           | -  |
| - loan redraw limits  | -                                 | -                                      | -                | -                   | -                           | -  |
| - revocable line of credits undrawn                         | 22,946                            | 23,070                                 | -                | -                   | -                           | -  |
| - irrevocable loan drawdowns                                | 40,056                            | 40,870                                 | -                | -                   | -                           | -  |
| - irrevocable standby commitments                           | -                                 | -                                      | -                | -                   | -                           | -  |
| <b>Total loans and advances</b>                             | <b>738,456</b>                    | <b>744,853</b>                         | <b>3,999</b>     | <b>2,493</b>        | <b>1,596</b>                | <b>(46)</b>  |

The general reserve for credit losses at 31 March 2018 is (\$000):

\$11,362