

APS 330 Public Disclosure of Prudential Information

The information in this report is prepared quarterly based on the ADI financial records. The financial records are not audited for the Quarters ending 30 September, 31 December, and 31 March.

The report as at the 30 June is based on financial statements as audited as at the 30 June 2016.

1. Detailed Capital Disclosure Template (APS 330 Attachment A)

The details of the components of the capital base are set out below as at the financial year ended 30 June 2016.

The following table 1 sets out the elements of the capital held by CMCU including the reconciliation of any adjustments required by the APRA Prudential Standards to the audited financial statements. Adjustments are usually in the form of deductions of assets not regarded as recoverable in the short term (such as intangible assets and deferred tax assets), and/or discounts made to eligible capital of a short term nature. Central Murray Credit Union (CMCU) is using the post 1 January 2018 common disclosure template as it is fully applying the Basel III regulatory adjustments as implemented by APRA.

Table 1: Detailed Capital Disclosure Template (APS 330 Attachment A)

	30th June 2016 \$	Reconciliation Table Reference
Common Equity Tier 1 : Instruments & Reserves		
1	Directly issued qualifying ordinary shares	
2	Retained Earnings including current year earnings	4,497,510
3	Accumulated other disclosed reserves	985,767
4	Directly issued capital subject to phase out from CET1	
5	Ordinary share capital issued by subsidiaries and held by third parties	
6	Common Equity Tier 1 capital before regulatory adjustments	5,483,277
Common Equity Tier 1 capital : regulatory adjustments		
7	Prudential valuation adjustment	
8	Goodwill (net of related tax liability)	
9	Other intangibles other than mortgage servicing rights	68,060
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	
11	Cash-flow hedge reserve	
12	Shortfall of provision 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 benefits 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	125,516
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	
22	Amount exceeding the 15% threshold	
23	of which : significant investments in the ordinary shares of financial assets	
24	of which : mortgage servicing rights	
25	of which : deferred tax assets arising from temporary differences	
26	National specific regulatory adjustments	4,573
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	4,090
		Table C

26f	of which : capitalised expenses		
26g	of which : investments in commercial (non financial) entities that are deducted under APRA prudential requirements	4,573	Table B
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	202,240	
29	Common Equity tier 1 Capital (CET1)	5,281,037	
	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 issued by subsidiaries and held by third parties		
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 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 issued share capital (amount above 10% threshold)		
40	Significant investments in the capital 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 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)	5,281,037	
	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 issued by subsidiaries and held by third parties		
49	of which : instruments issued by subsidiaries subject to phase out		
50	Provisions	170,637	Table A
51	Tier 2 Capital before regulatory adjustments	170,637	
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 consolidations 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)	170,637
59	Total capital (TC=T1+T2)	5,451,674
60	Total risk weighted assets based on APRA standards	35,808,276
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.75%
62	Tier 1 (as a percentage of risk weighted assets)	14.75%
63	Total Capital (as a percentage of risk weighted assets)	15.22%
64	Institution - specific buffer requirement	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	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	6.75%
	National minima (if different from BASEL 111)	
69	National minima (if different from BASEL 111)	
70	National Tier 1 minimum ratio	
71	National total capital minimum ratio - amount below threshold 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	
75	Deferred tax assets arising from temporary differences	
	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	
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	
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	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 instruments due to cap	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amounts excluded from T2 due to cap	

Table 1.1: Regulatory Balance Sheet

	Audited Balance Sheet	adjustments	Regulatory Balance Sheet	Reconciliation Table Reference
ASSETS				
Cash and cash equivalents	19,207,567		19,207,567	
Other receivables	67,801	-67,801	0	
Loans and other advances	52,080,020	-203,131	51,876,889	
Other financial assets	130,089		130,089	Table B
Property, plant and equipment	1,774,507		1,774,507	
Intangible assets	68,061		68,061	Row 9
Deferred tax assets	72,744	-72,744	0	
Other assets	125,119	128,668	253,787	
TOTAL ASSETS	73,525,908	-215,008	73,310,900	
LIABILITIES				
Member deposits	66,224,383	-75,632	66,148,751	
<i>Member Shares</i>		40,088	40,088	
Trade and other payables	1,369,959	-18,371	1,351,588	
Income tax payable/(refundable)	25,414	60,492	85,906	
Employee benefits	159,252	42,038	201,290	
Deferred tax liabilities	60,492	-60,492	0	
TOTAL LIABILITIES	67,839,500	-11,877	67,827,623	
NET ASSETS	5,686,408	-203,131	5,483,277	
EQUITY				
Reserves	1,206,168	-220,401	985,767	Table A
Retained Profits	4,480,240	17,270	4,497,510	
TOTAL EQUITY	5,686,408	-203,131	5,483,277	

Table 1.2: Main Features of Capital Instruments

Main features of Capital Instruments	Nil
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Table 1.3: Regulatory Capital Reconciliation**Table A****Accumulated other disclosed reserves**

General reserves	550,000	Row 3
Asset revaluation reserves	435,767	Row 3
Member redemption reserve	41,602	Row 3
General reserves for credit losses	178,799	Row 50
Total per Balance Sheet	1,206,168	

Table B**Other Financial Assets**

Equity Investments	125,516	Row 18
Investments in commercial entities	4,573	Row 26g
Total per Balance Sheet	130,089	

Table C**Deferred Tax Assets**

Deferred Tax Assets per Balance Sheet	72,744	
Less General Reserve for credit losses Tax adjustment	8,162	
Less deferred tax liability per Balance sheet	60,492	
Net Deferred Tax Assets	4,090	Row 26e

Risk Exposures and Assessment

CMCU has adopted the standardised approach to both credit and operational risk since 1 January 2008 in order to calculate its minimum capital requirements. CMCU maintains a capital policy level of a minimum of 13%, our current level of capital is 14.70%.

The risk weighted assets as set out in the table below are adopted from APRA Prudential Standard APS112. CMCU uses the standardised approach to both credit and operational risk.

Table 2: Risk Weighted Assets by Asset Class

	31st March 2017	31st December 2016
	\$	\$
Capital requirements for credit risk by portfolio		
> Loans - secured by residential mortgage	19,283,285	18,867,168
> Loans - other retail	6,488,994	5,717,100
> Liquid investments	3,979,065	3,560,956
> all other assets	2,035,356	1,941,458
Total credit risk on balance sheet	31,786,700	30,086,682
Total credit risk off balance sheet (commitments)	1,989,201	2,092,870
Capital requirements for securitisation	0	0
Capital requirements for market risk	0	0
Capital requirements for operational risk	3,965,509	3,965,509
Total Risk Weighted Assets	37,741,411	36,145,061

Table 3: Capital Held by CMCU

	Capital		Capital Ratio	
	Mar-17	Dec-16	Mar-17	Dec-16
Common Equity Tier 1	5,376,055	5,324,271	14.24%	14.73%
Tier 1	5,376,055	5,324,271	14.24%	14.73%
Total Capital Ratio	5,546,692	5,494,908	14.70%	15.20%

Credit Risk Exposure

The gross credit risk exposure (based on the definitions for regulatory capital, before credit risk mitigation) is summarised per table 4 and 4A.

The classes of loans entered into by CMCU are limited to loans, commitments and other non-market off-balance sheet exposures. CMCU does not enter into debt securities; and over-the-counter derivatives.

Impairment

The level of impaired loans by class of loan is set out in Table 4 and 4A.

- Past due loans is the 'on balance sheet' loan balances which are behind in repayments past due by 90 days or more but not impaired.
- Impaired loans are the 'on balance sheet' loan balances which are at risk of not meeting all principle and interest payments over time.
- Specific Provision is the amount of impairment provision allocated to the class of impaired loans
- The charge for write offs in the period equate to the additional provisions set aside for impaired loans, bad debts written off in excess of previous provision allowances.

Impaired loans are generally not secured against residential property. Some impaired loans are secured by goods security agreements over motor vehicles or other assets of varying value. It is not practical to determine the fair value of all collateral as at balance date due to the variety of assets and condition.

Table 4: Credit Risk

Risk Exposure and Capital Adequacy as at 31st March 2017

	Gross Amount \$	Average Amount \$	Risk Weighted Amounts \$	Impaired Facilities \$	90 Days Past due \$	Specific Provision Balance \$	Charge for Specific Provisions and Write Offs During the period \$
Loans - secured by residential mortgage	50,152,298	48,336,200	19,283,285	16,104	16,104	16,104	
Loans - other retail	6,488,994	5,930,576	6,488,994	246,567	244,905	25,381	0
Off-Balance Sheet Risk	11,591,231	12,053,791	1,989,201				
Total Loans	68,232,523	66,320,567	27,761,480	262,671	261,010	41,485	0
Cash and Liquid Assets	1,333,802	1,374,688	0				
Investment Securities & Other Deposit	17,658,897	17,072,004	3,979,065				
Total Liquid Investments	18,992,699	18,446,692	3,979,065	0	0	0	0
Other Assets	2,102,886	2,029,502	2,035,356				
Total Credit Risk	89,328,108	86,796,761	33,775,902	262,671	261,010	41,485	0
Operational Risk	3,965,509	3,906,643	3,965,509				
Grand Total Risk Weighted Assets	93,293,617	90,703,404	37,741,411	262,671	261,010	41,485	0

Table 4A: Credit Risk

Risk Exposure and Capital Adequacy as at 31st December 2016							
	Gross Amount	Average Amount	Risk Weighted Amounts	Impaired Facilities	90 Days Past due	Specific Provision Balance	Charge for Specific Provisions and Write Offs During the period
	\$	\$	\$	\$	\$	\$	\$
Loans - secured by residential mortgage	48,944,324	47,149,482	18,867,168	758,044	561,971	39,133	
Loans - other retail	5,717,100	5,638,558	5,717,100	67,688	54,890	20,438	0
Off-Balance Sheet Risk	12,565,113	11,957,866	2,092,870				
Total Loans	67,226,537	64,745,906	26,677,138	825,732	616,861	59,571	0
Cash and Liquid Assets	1,868,820	1,301,619	0				
Investment Securities & Other Deposit	15,569,017	17,015,770	3,560,956				
Total Liquid Investments	17,437,836	18,317,389	3,560,956	0	0	0	0
Other Assets	2,010,353	2,006,999	1,941,458				
Total Credit Risk	86,674,726	85,070,294	32,179,552	825,732	616,861	59,571	0
Operational Risk	3,965,509	3,855,368	3,965,509				
Grand Total Risk Weighted Assets	90,640,235	88,925,662	36,145,061	825,732	616,861	59,571	0

General Reserve for Credit Losses

This reserve is set aside to quantify the estimate for potential future losses in the loans and investments.

In addition to the provision of impairment, the Board has recognised the need to make allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future.

The reserve has been determined on the basis of the past experience with the loan delinquency and amounts written off.

The value of the reserve is amended to reflect the changes in economic conditions, and the relevant concentrations in specific regions and industries of employment within the loan book.

Table 5: General Reserve for Credit Losses

	March 2017	December 2016
	\$	\$
Balance	178,799	178,799

Securitisation Exposures

The following table includes a summary of the total amount of exposures securitised, securitisation activity for the current period and amounts of securitisation exposures retained or purchased.

Table 6: Securitisation Exposure

	March 2017	December 2016
	\$	\$
Securitised loans for the period	Nil	Nil
Off – Balance Sheet securitised housing loans	Nil	Nil

APS 330 Remuneration Disclosures

Remuneration Disclosures in accordance with requirements of Attachment E of Prudential Standard APS330 – Public Disclosure

a) Overview

The Board of CMCU has established a Board Audit Committee “the Committee” who have the responsibility to:

- Make annual recommendations to the Board, consistent with the Remuneration Policy, on the remuneration of: the Chief Executive Officer, direct reports of the CEO; and any other person as per the Remuneration Policy.
- Conduct regular reviews of, and make recommendations to the Board on, the Remuneration Policy.
- Undertake such other functions in relation to the remuneration arrangements of CMCU as the Board may from time to time delegate to the Committee.

The Committee may make use of external consultants in undertaking its role.

Senior managers for the purpose of this disclosure include the CEO and Senior Management. There are currently three employees within this group. There are no employees outside this group that are considered material risk takers as defined in paragraph 17 of APS 330.

b) Remuneration Policy

The objectives of CMCUs remuneration policy is to:

- Attract and retain capable, motivated managers and staff;
- Have managers with strategic vision, able to drive growth while maintaining stability and financial soundness of CMCU;
- Provide incentives for outstanding performance;
- To encourage behaviour that supports CMCU's long term risk management framework;
- To ensure that managers responsible for compliance and risk management are not compromised in the performance of their functions; and
- To ensure that CMCU's remuneration arrangements are, and remain compliant with corporate governance requirements, including requirements under CPS510.

To achieve these objectives the Remuneration Policy for senior managers allows for a remuneration structure comprising of fixed base component.

Fixed based component

The fixed components of the remuneration of persons covered by the Remuneration Policy consist of base salary, leave loading, superannuation benefits, and retirement benefits. CMCU may, in addition, provide other benefits such as mobile phones, home office facilities.

Fixed Remuneration is reviewed annually and increases in remuneration are based on a person's performance assessed against individual KPI's and job description. The remuneration increases are capped at the annual CPI rate plus 5%. There is no guarantee increases in fixed remuneration will occur, or that the full increase will be provided.

The Committee reviews the Remuneration Policy on an annual basis. No material changes were made to the policy in the past financial year.

c) Quantitative disclosures per APS 330

Number of meetings of the Committee with regards to remuneration	1
Number of fixed base component payments	3
Number and total guaranteed bonuses award during the financial year	Nil
Number of sign on bonuses made during the financial year	Nil
Number and total termination payments made during the financial year	Nil
Total amount of deferred remuneration outstanding	Nil
Total amount of deferred remuneration paid	Nil

Table 18A: Total value of remuneration for senior managers and material risk takers

Fixed Remuneration

Cash – Based	\$340,851.92
Shares and Share linked instruments	Nil
Other	Nil