

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 2019.

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 2019.

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 2019 \$	Reconciliation Table Reference
Common Equity Tier 1 : Instruments & Reserves		
1		
2		
3		
4		
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6		
Common Equity Tier 1 capital before regulatory adjustments		
Common Equity Tier 1 capital : regulatory adjustments		
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26a		
26b		
26c		

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	-	Table C
26f	of which : capitalised expenses		
26g	of which : investments in commercial (non financial) entities that are deducted under APRA prudential requirements	32,660	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	346,137	
29	Common Equity tier 1 Capital (CET1)	5,996,708	
	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)	5,996,708	
	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	193,799	Table A
51	Tier 2 Capital before regulatory adjustments	193,799	
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)	193,799
59	Total capital (TC=T1+T2)	6,190,507
60	Total risk weighted assets based on APRA standards	42,364,696
	Capital ratios and buffers	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.15%
62	Tier 1 (as a percentage of risk weighted assets)	14.15%
63	Total Capital (as a percentage of risk weighted assets)	14.61%
64	Institution - specific buffer requirement	7.50%
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)	4.15%
	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	21,898,664		21,898,664	
Other receivables	55,636	-17,866	37,770	
Loans and other advances	67,745,196	-192,108	67,553,088	
Other financial assets	192,260		192,260	Table B
Property, plant and equipment	1,883,611		1,883,611	
Intangible assets	153,877		153,877	Row 9
Deferred tax assets	85,454		85,454	
Other assets	79,152	50	79,202	
TOTAL ASSETS	92,093,850	-209,924	91,883,926	
LIABILITIES				
Member deposits	83,885,309	-74,780	83,810,529	
<i>Member Shares</i>		41,996	41,996	
Trade and other payables	1,202,515	14,969	1,217,484	
Income tax payable/(refundable)	114,710		114,710	
Employee benefits	187,167		187,167	
Deferred tax liabilities	169,195		169,195	
TOTAL LIABILITIES	85,558,896	-17,815	85,541,081	
NET ASSETS	6,534,954	-192,109	6,342,845	
EQUITY				
Reserves	1,480,946	-242,724	1,238,222	Table A
Retained Profits	5,054,008	50,615	5,104,623	
TOTAL EQUITY	6,534,954	-192,109	6,342,845	

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	643,148	Row 3
Financial asset reserve	45,074	Row 3
Member redemption reserve	48,925	Row 3
General reserves for credit losses	193,799	Row 50
Total per Balance Sheet	1,480,946	

Table B**Other Financial Assets**

Equity Investments	159,600	Row 18
Investments in commercial entities	32,660	Row 26g
Total per Balance Sheet	192,260	

Table C**Deferred Tax Assets**

Deferred Tax Assets per Balance Sheet	84,545	
Less General Reserve for credit losses Tax adjustment	(20,216)	
Less deferred tax liability per Balance sheet	(169,195)	
Net Deferred Tax Assets (if DTA adj for GRCL less DTL is a negative then this figure is zero)	-	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 14.61%.

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 December 2019 \$	30th September 2019 \$
Capital requirements for credit risk by portfolio		
> Loans - secured by residential mortgage	21,478,170	22,062,985
> Loans - other retail	7,631,649	7,996,794
> Liquid investments	4,693,933	4,122,411
> all other assets	2,185,222	2,052,227
Total credit risk on balance sheet	35,988,975	36,234,416
Total credit risk off balance sheet (commitments)	1,194,857	1,130,087
Capital requirements for securitisation	0	0
Capital requirements for market risk	0	0
Capital requirements for operational risk	4,449,927	4,462,122
Total Risk Weighted Assets	41,633,759	41,826,625

Table 3: Capital Held by CMCU

	Capital		Capital Ratio	
	Dec-19	Sep-19	Dec-19	Sep-19
Common Equity Tier 1	6,119,154	6,053,120	14.70%	14.47%
Tier 1	6,119,154	6,053,120	14.70%	14.47%
Total Capital Ratio	6,312,953	6,246,919	15.16%	14.94%

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 December 2019

	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	57,780,058	59,071,230	21,478,170	0	0		
Loans - other retail	7,631,649	8,032,849	7,631,649	118,655	93,972	101,159	0
Off-Balance Sheet Risk	9,804,610	9,789,078	1,194,857				
Total Loans	75,216,318	76,893,157	30,304,677	118,655	93,972	101,159	0
Cash and Liquid Assets	860,457	1,025,029	0				
Investment Securities & Other Deposit	23,469,667	20,162,782	4,693,933				
Total Liquid Investments	24,330,124	21,187,810	4,693,933	0	0	0	0
Other Assets	2,290,663	2,185,495	2,185,222				
Total Credit Risk	101,837,105	100,266,462	37,183,832	118,655	93,972	101,159	0
Operational Risk	4,449,927	4,446,369	4,449,927				
Grand Total Risk Weighted Assets	106,287,032	104,712,831	41,633,759	118,655	93,972	101,159	0

Table 4A: Credit Risk

Risk Exposure and Capital Adequacy as at 30th September 2019

	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	59,171,416	59,119,802	22,062,985	-	-	-	-
Loans - other retail	7,996,794	8,009,347	7,996,794	116,324	113,941	85,758	-
Off-Balance Sheet Risk	9,587,095	9,915,278	1,130,087				-
Total Loans	76,755,305	77,044,427	31,189,865	116,324	113,941	85,758	-
Cash and Liquid Assets	814,350	1,066,402	-	-	-	-	-
Investment Securities & Other Deposit	20,612,055	18,510,122	4,122,411	-	-	-	-
Total Liquid Investments	21,426,405	19,576,524	4,122,411	-	-	-	-
Other Assets	2,179,378	2,140,230	2,052,227				-
Total Credit Risk	100,361,088	98,761,180	37,364,503	116,324	113,941	85,758	-
Operational Risk	4,462,122	4,436,713	4,462,122				-
Grand Total Risk Weighted Assets	104,823,210	103,197,894	41,826,625	116,324	113,941	85,758	-

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

	December 2019	September 2019
	\$	\$
Balance	193,799	193,799

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

	December 2019	September 2019
	\$	\$
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 G 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 behavior 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	\$358,541.39
Shares and Share linked instruments	Nil
Other	Nil