

There are no other legal entities that comprise a consolidated group.

The information in this report is prepared quarterly based on the ADI financial records and uses the post 1 January 2018 capital disclosure template to fully comply with Basel III regulatory adjustments as implemented by APRA.

CAPITAL BASE

The details of the components of the capital base are set out below are for the financial year ended 30th June, these amounts coincide with the audited accounts.

The following table A sets out the elements of the capital held by Macarthur Credit Union 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.

All regulatory capital elements are consistent with the audited financial statements as at the last reporting date.

TABLE A CAPITAL BASE ELEMENTS

Common Equity Tier 1 Capital: instruments and reserves		Current quarter 30 Sep 2020	Previous quarter 30 Jun 2020
		\$,000	\$,000
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	-	-
2	Retained earnings	24,652	24,730
3	Accumulated other comprehensive income (and other reserves)	649	562
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 on Equity Tier 1 capital: regulatory adjustments	25,300	25,292
Common Equity Tier 1 Capital : regulatory adjustments (rows 7 to 27)			
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	-	-
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	214	188
10	Deferred tax assets in excess of deferred tax liabilities	70	157
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)	1,256	1,137
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)	-	-
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	-	-
26f	of which: capitalised expenses	-	-
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA rules	-	-
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	1,540	1,482
29	Common Equity Tier 1 Capital (CET1)	23,760	23,810
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)	23,760	23,810
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 (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	351	358
51	Tier 2 Capital before regulatory adjustments	351	358
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)	351	358
59	Total Capital (TC = T1 + T2)	24,111	24,169
60	Total risk-weighted assets based on APRA standards	139,570	128,915
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	17.02%	18.47%
62	Tier 1 (as a percentage of risk-weighted assets)	17.02%	18.47%
63	Total Capital (as a percentage of risk-weighted assets)	17.28%	18.75%
64	Institution-specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIBs buffer requirement, expressed as a percentage of risk-weighted assets)	10.00%	10.00%
65	of which: capital conservation buffer requirement	1.50%	1.50%
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)	7.02%	8.47%
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	-	-
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	-	-
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)	-	-

TABLE B CAPITAL WITHIN THE ADI

The elements of the regulatory capital as set out above are summarised as follows in Table B

Items (AUD)	APRA (After applying national discretions)	Basel III (Not applying national discretions)
	\$,000	\$,000
CET1 after regulatory adjustments (CET1)	23,760	23,760
Additional Tier 1 capital after regulatory adjustments (AT1)	-	-
Tier 1 capital (Tier 1 = CET1 + AT1)	23,760	23,760
Tier 2 capital after regulatory adjustments (T2)	351	351
Total capital (Total capital = Tier 1 + Tier 2)	24,111	24,111
Total Risk Weighted Assets (RWA)	139,570	139,570
Capital ratios (5)		
CET1 Ratio (CET1/Total RWA)	17.02%	17.02%
Tier 1 Ratio (Tier 1/Total RWA)	17.02%	17.02%
Total Capital Ratio (Total capital/Total RWA)	17.28%	17.28%

CAPITAL INSTRUMENTS WITHIN THE ADI

Disclosure for main features of regulatory capital instruments

The regulatory capital is limited to

- Retained earnings
- General reserve for Credit Losses

There are no capital instruments (shares, debt instruments) issued by Macarthur Credit Union

	Tier 1	Tier 2
1 Issuer	Not applicable	
2 Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	
3 Governing law(s) of the instrument	Not applicable	
Regulatory treatment	Not applicable	
4 Transitional Basel III rules	Not applicable	
5 Post-transitional Basel III rules	Not applicable	
6 Eligible at solo/group/group & solo	Not applicable	
7 Instrument type (ordinary shares/preference shares/subordinated notes/other)	Not applicable	
8 Amount recognised in Regulatory Capital (Currency in mil, as of most recent reporting date)	Not applicable	
9 Par value of instrument	Not applicable	
10 Accounting classification	Not applicable	
11 Original date of issuance	Not applicable	
12 Perpetual or dated	Not applicable	
13 Original maturity date	Not applicable	
14 Issuer call subject to prior supervisory approval	Not applicable	
15 Optional call date, contingent call dates and redemption amount	Not applicable	
16 Subsequent call dates, if applicable	Not applicable	
Coupons/dividends	Not applicable	
17 Fixed or floating dividend/coupon	Not applicable	
18 Coupon rate and any related index	Not applicable	
19 Existence of a dividend stopper	Not applicable	
20 Fully discretionary, partially discretionary or mandatory	Not applicable	
21 Existence of step up or other incentive to redeem	Not applicable	
22 Noncumulative or cumulative	Not applicable	
23 Convertible or non-convertible	Not applicable	
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	Not applicable	
31 If write-down, write-down trigger(s)	Not applicable	

CAPITAL REQUIREMENTS

Capital requirements in the ADI is determined by the risk weights of the relevant assets held with the minimum required capital to over 12.00% of the risk weighted assets. Macarthur Credit Union maintains a capital policy level of Minimum 12% and a capital target of 15%.
The current level of capital is 17.28%

The risk weighted assets for each asset grouping as set out in the table below is determined by the APRA Prudential Standards APS 112. These are prescribed risk weights to measure the level of risk based on the nature and level of security supporting the assets recovery.

The risk weighted assets held as at the end of the quarter ended 30 Sep 2020 is as follows:

TABLE C RISK WEIGHTED ASSETS BY ASSET CLASS

	Current quarter 30 Sep 2020		Previous quarter 30 Jun 2020	
	Carrying Value \$,000	Risk Weighted Value \$,000	Carrying Value \$,000	Risk Weighted Value \$,000
	(a) Capital requirements (in terms of risk-weighted assets) for credit risk (excluding securitisation) by portfolio;			
• Loans - secured by residential mortgage	170,392	60,904	172,772	62,113
• Loans - other retail	8,508	8,495	8,740	8,720
• Loans - corporate	-	-	-	-
• Liquid investments	116,205	42,249	94,986	33,357
• all other assets	4,278	4,278	4,250	4,250
Total credit risk on balance sheet	299,383	115,925	280,749	108,440
Total credit risk off balance sheet (commitments)				
• Undrawn financial commitments (overdrafts, credit cards, line of credit, Loans approved not advanced, guarantees)	32,614	8,133	25,509	4,963
• Capital requirements for securitisation	-	-	-	-
(b) Capital requirements for market risk.	-	-	-	-
(C) Capital requirements for operational risk.		15,512		15,512
Total Risk Weighted assets (Sum above components)	331,997	139,570	306,259	128,915

CAPITAL HELD BY THE ADI

The capital held by Macarthur Credit Union exceeds the policy and minimum capital prescribed by the APRA Prudential standards. This excess facilitates future growth within the Credit union.

The capital ratio is the amount of capital described in Table A divided by the risk weighted assets

TABLE D

	Capital \$		Capital Ratio \$	
	Current quarter 30 Sep 2020 \$,000	Previous quarter 30 Jun 2020 \$,000	Current quarter 30 Sep 2020	Previous quarter 30 Jun 2020
	Common Equity Tier 1	23,760	23,810	17.02%
Tier 1	23,760	23,810	17.02%	18.47%
Total Capital ratio	24,111	24,169	17.28%	18.75%

CREDIT RISK

(i) CREDIT RISK - INVESTMENTS

Surplus cash not invested in loans to members are held in high quality liquid assets. This includes the funds required to be held to meet withdrawal of deposits by members of the ADI.

Macarthur Credit Union uses the ratings of reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA Prudential Guidance in APS112. The credit quality assessment scale within this standard has been complied with.

The Table E below excludes the equities and securitisation exposures. Securitisation exposures are set out in the table G that follows.

The exposure values associated with each credit quality step are as follows in Table E.

TABLE E

Current quarter 30 Sep 2020

Investments with banks and other ADIs	Average gross exposure in quarter \$,000	Carrying value on balance sheet at 30 Sep 2020 \$,000	Past due facilities \$,000	Impaired facilities \$,000	Specific Provision as at end of qtr \$,000	Increase in specific provision and write offs in qtr \$,000
Loans and receivables to ADI's	105,596	116,205	-	-	-	-
Total	105,596	116,205	-	-	-	-

Previous quarter 30 Jun 2020

Investments with banks and other ADIs	Average gross exposure in quarter	Carrying value on balance sheet at 30 Jun 2020	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Increase in specific provision and write offs in qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Loans and receivables to ADI's	89,372	94,986	-	-	-	-
Total	89,372	94,986	-	-	-	-

(ii) CREDIT RISK - LOANS

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

Impairment details

The level of impaired loans by class of loan is set out below. In the note below -

- Carrying Value is the amount of the balance sheet gross of provision (net of deferred fees)
- 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 repayments over time
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans
- The losses in the period equate to the additional provisions set aside for impaired loans, and bad debts written off in excess of previous provision allowances.

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

The analysis of the ADI's loans by class, is as follows in Table F

TABLE F [excludes securitisation exposures or equities. Securitisation exposures are set out in the Table G that follows]

Current quarter 30 Sep 2020

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet at 30 Sep 2020	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Movement in Specific Provision	Write-offs in the Qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Mortgage secured	172,528	171,830	-	-	-	-	-
Other retail	6,686	6,665	-	15	14	(7)	8
Revolving credit	39	35	-	-	-	-	-
Commercial	-	-	-	-	-	-	-
Total	179,253	178,530	-	15	14	(7)	8

Previous quarter 30 Jun 2020

Loans Portfolio	Gross exposure value - Average for the period	Gross exposure value on balance sheet at 30 Jun 2020	Past due facilities	Impaired facilities	Specific Provision as at end of qtr	Movement in Specific Provision	Write-offs in the Qtr
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Mortgage secured	173,224	173,226	175	-	-	-	-
Other retail	7,073	6,707	-	42	21	(5)	9
Revolving credit	45	42	-	-	-	-	-
Commercial	-	-	-	-	-	-	-
Total	180,343	179,976	175	42	21	(5)	9

General Reserve for Credit Losses

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

In addition to the provision for impairment, the board has recognised the need to make an 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.

	Current quarter 30 Sep 2020 \$,000	Previous quarter 30 Jun 2020 \$,000
Balance	351	358

Prudential Disclosures as required by APS 330 Capital Adequacy: Public Disclosure of Prudential Information.
The Prudential Disclosures contained herein apply to Macarthur Credit Union Limited (ABN 83 087 650 244)



SECURITISATION ARRANGEMENTS

Macarthur Credit Union does not have any securitisation exposures.